

# The Green Bond

Your insight into sustainable finance

05 March 2025

Geopolitics, Competitiveness and  
Decarbonization



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Geopolitics, Competitiveness and Decarbonization

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The EU Platform on Sustainable Finance has provided recommendations to simplify sustainable finance regulations, focusing on SFDR categorization, the EU Taxonomy, transition plans, and benchmarks all with the purpose to improve usability and reduce reporting burdens. While these proposals aim to enhance clarity and investment decision-making, their implementation depends on the EU Commission.

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The EU Clean Industrial Act aims to address Europe’s competitiveness challenges by focusing on affordable energy, innovation, and industrial decarbonization. Key actions involve increased funding for clean tech investments, lower energy costs and "Buy EU" requirements. These policies could help the EU close the innovation gap with global competitors.

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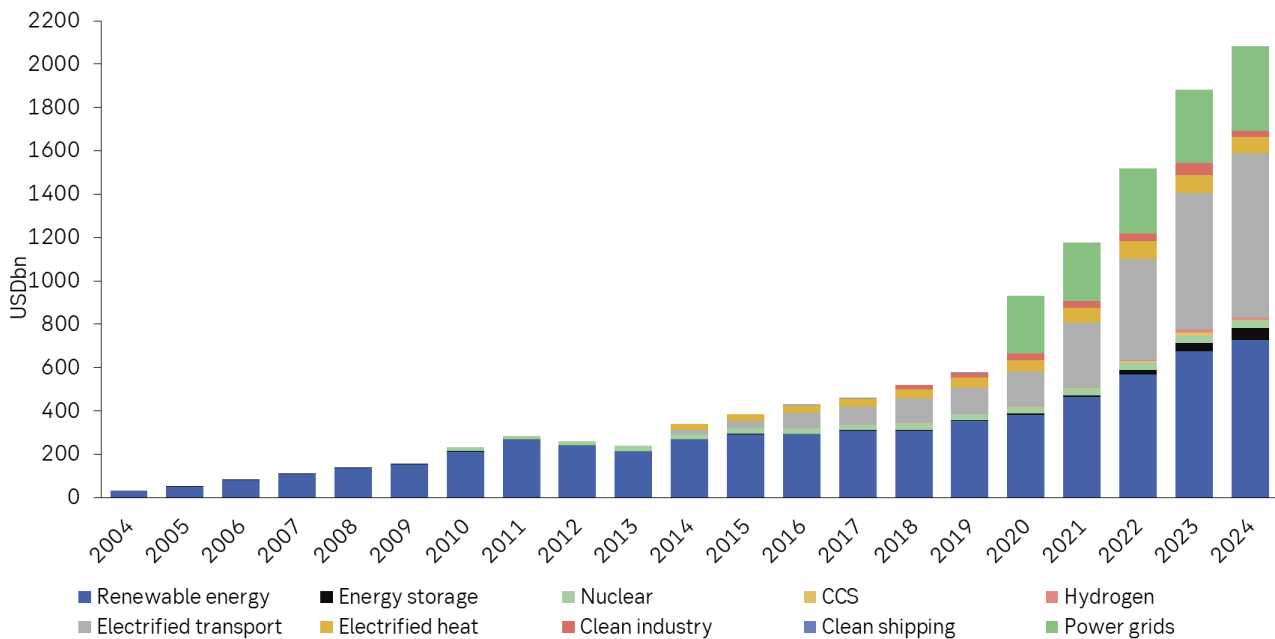
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# Transition update

## Fragmentation means multi-speed transition

The fragmenting geopolitical order opens for a multi-speed transition. China is still leading, while the US now looks set to lag. Europe is likely to emulate China's strategy, which in our view will be successful.

**Figure 1 Global energy transition investment by sector**



Source: BloombergNEF

### Key investment level surpassed

Last year the progression of the overall energy transition continued, where investments reached a milestone in 2024, surpassing USD 2tn for the first time, an increase of 11% compared to 2023 (Figure 1).

Global renewable energy investment continued with a 7.8% growth rate in 2024, which would normally be an impressive growth rate. However, this came on the back of three years with an average growth rate of 20%. From this perspective, the overall pattern appears to be a levelling off in renewable energy investments.

At the same time, there are very positive signals from investments in other key segments such as power grids, which increased by 13% in 2024 and energy storage with 26% growth. Thus, while there are indications that the expansion of the supply of clean energy suffered a setback in recent years, the overall investment going into the transition space continues to exhibit an exponential trend.

### 1.5 degrees surpassed too...

As impressive as the continued increase in overall transition investment is, the past few years have also revealed that the transition is simply not progressing fast enough to limit the global temperature increase. In fact, 2024 appears to have been the year where the global temperature increase compared with the pre-industrial era exceeded 1.5 degrees, the level that the world was hoping to avoid when the Paris Agreement was signed in 2015.

The fast increase in temperatures means that it is already too late to achieve this objective. Now the question is whether we can cap the temperature increase at 2 degrees. This would require faster investments than what we are currently seeing. Meanwhile, the fragmentation of the global economy and geopolitical system into more isolated regional systems will make it more challenging to increase investment in a coordinated global attempt to address the long-term consequences of the climate crisis.

Thomas Thygesen  
[thomas.thygesen@seb.dk](mailto:thomas.thygesen@seb.dk)

Elizabeth Mathiesen  
[elizabeth.mathiesen@seb.dk](mailto:elizabeth.mathiesen@seb.dk)

Mads Bossen  
[mads.bossen@seb.dk](mailto:mads.bossen@seb.dk)

Samantha Arpas  
[samantha.arpas@seb.se](mailto:samantha.arpas@seb.se)

## Fragmenting geopolitical order

We have already for several years been anticipating a more limited fragmentation into two broad spheres of influence similar to the Cold War from 1945-1989. In such a scenario, there is unlikely to be any direct cooperation between superpowers in areas like climate change, but there could still be some coordination reflecting a shared interest in avoiding mutually assured disruption just like with nuclear weapons.

However, after President Trump started his second term in the White House, the risk of an even more fragmented global regime has increased. It has been just over a month since President Trump took the Oval Office, and in that short space of time Trump and his government have started to redefine the contours of the Western alliance.

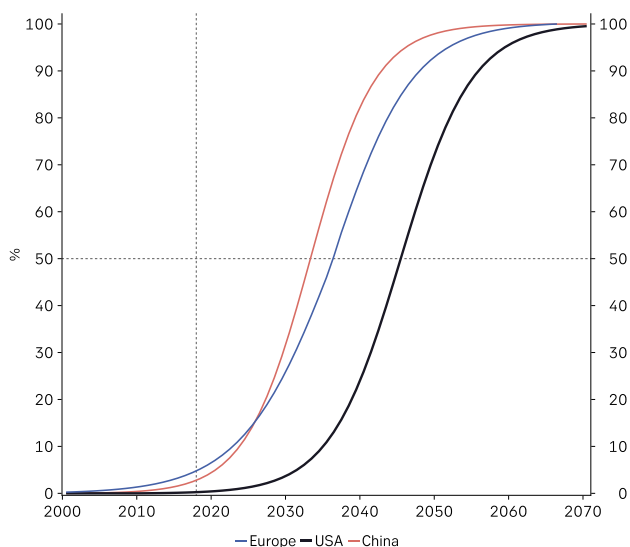
European political leaders appear to have been shocked, not only by Trump's threat of economic warfare with its close allies, but even more seriously by Trump negotiating directly with Russia about a ceasefire in Ukraine and relegating US allies to a spectator role.

The stable system with two superpowers guaranteeing the security of their allies is thus being challenged by Trump. The message has not been lost on European leaders with incoming German chancellor Mertz stating his intention to build a European defence that is independent of the US.

## Multiple transition speeds

This fragmentation has implications for the clean energy transition because the major economic regions appear to have very different strategies for their energy systems. China is embracing the accelerated transition, while at the other extreme, President Trump does not appear to see the need for any support at all.

**Figure 2 Differing clean energy transition s-curves**



Source: SEB

As we have pointed out in earlier issues of The Green Bond, we see renewable energy as an unstoppable technology revolution, driven by traditional learning curve effect present in all such revolutions. Over time, it will inexorably become cheaper relatively to fossil energy. However, the historical evidence strongly suggests that this process will take longer without political intervention.

Our standard diffusion model is called 30-30-30 because it typically takes around 90 years from the first invention to the completed diffusion. This would point to completion around 2080 in the absence of political accelerators. If the world is fragmenting into three economic regions with different transition policies, then the S-curve and the speed of diffusion will also vary across regions- Some regions will complete the transition much faster than others, and this will make it harder to complete the global decarbonization in time to cap the temperature increase at 2 degrees.

This is illustrated in the stylized illustration above (Figure 2). The US transition follows the market-driven pattern and ends in 2080. China appears to be on its way to complete the journey by 2050, and Europe will have to decide which strategy to emulate.

## New political and economic drivers

The increasing geopolitical fragmentation also changes to way the clean energy transition is viewed by voters and governments. In a globalized world with deep economic integration, policymakers have a stronger incentive to prioritize the shared risks of global warming. In a more fragmented world with competition and rivalry between major powers, such arguments are unlikely to hold much political sway.

This has been evident in both Europe and the US in recent years as weakening political support for a faster transition has led to a decline in investment. In Europe, Russia's invasion of Ukraine and the subsequent energy shortages and extreme prices in 2022 appears to have shifted the focus of both voters and politicians from sustainability to the cost and security of energy supplies.

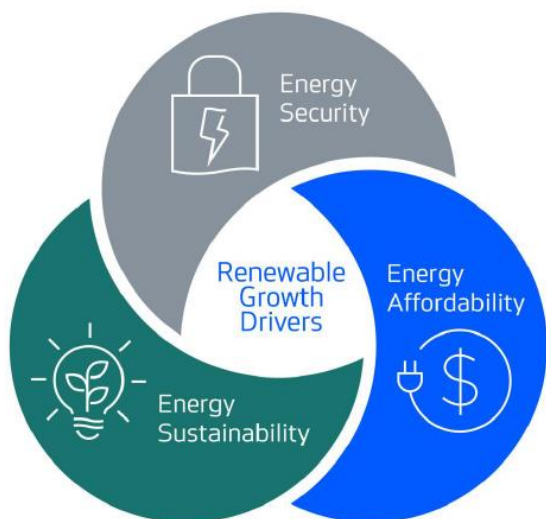
In the US, securing national control over energy supplies and supply chains were prioritized over sustainability even under President Biden, but the new administration does not even appear to accept that sustainability is a valid policy objective and has withdrawn the United States from the Paris Agreement.

Fortunately, this does not weaken the case for accelerating the deployment of renewable energy, which offers substantial advantages in terms of cost, speed of deployment and geographical independence. The total cost (LCOE) of onshore wind and solar energy is around half as high as the cost of the cheapest fossil alternatives, and the

gap is likely to widen further as both technologies exhibit strong learning curve characteristics. Compared to gas-powered plants and especially nuclear power, the lead time for new solar and wind installations is much lower. And once it has been installed, it can generate energy without any foreign inputs, which probably is a stronger argument in China and Europe than in the US, which is self-sufficient in fossil energy.

These advantages have perhaps not been advertised sufficiently by the clean energy industry, which until recently found a more receptive political audience when emphasizing the sustainability element, but that is changing now. Figure 3, taken from Vestas' investor presentation FY 2024, is in our view an excellent illustration of the updated case for renewable energy in this new geopolitical landscape: it will provide cheaper energy, more secure energy and reduce climate risks – perhaps in that order of priority from a political perspective.

**Figure 3 Vestas' illustration of case for renewables**



Source: Vestas

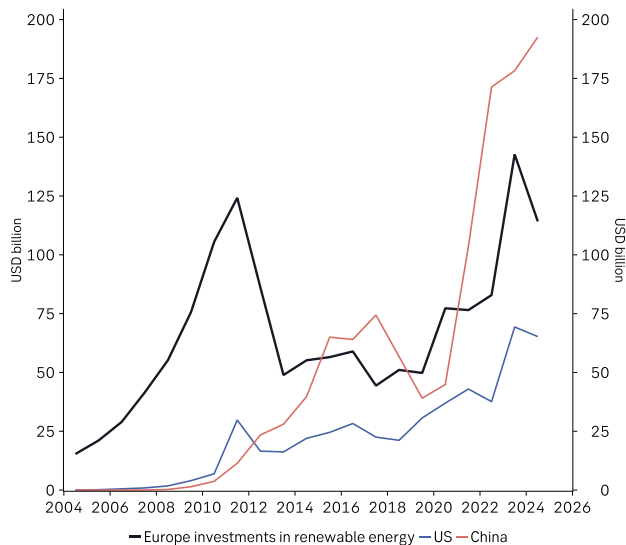
**China's accelerated transition: still way ahead**

From a global perspective, China has overtaken Europe and in our view is on the way to reaching 50% clean energy share in the early 2030s.

Europe had the lead in terms of investment until the GFC, but China caught up in the 2010s and the past five years have seen a substantial gap open up while the US has been lagging throughout.

The regional differences in renewable investments were even more pronounced in 2024 than in earlier years (Figure 4). Renewable investments declined by close to 20% in 2024 in Europe and 6% in the US, while Chinese investments in renewable energy grew by 8%.

**Figure 4 China leads renewable energy investments**

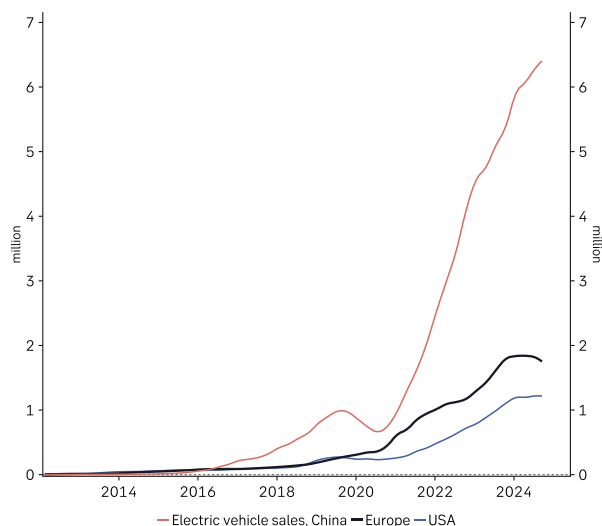


Source: BloombergNEF, SEB

China's energy investment strategy is pragmatic and not exclusive to renewable energy. It also has the largest nuclear power investment plans in the world and invests aggressively in battery storage technology to overcome the intermittency of renewable energy supply.

China also appears to understand the need for coordination of transition investment across the whole value chain. In China, the boost to renewables only one part of the effort to accelerate both the supply, transmission, distribution and demand for electricity.

**Figure 5 China EV sales crosses 6mn, Europe rolling over**



Source: BloombergNEF, SEB

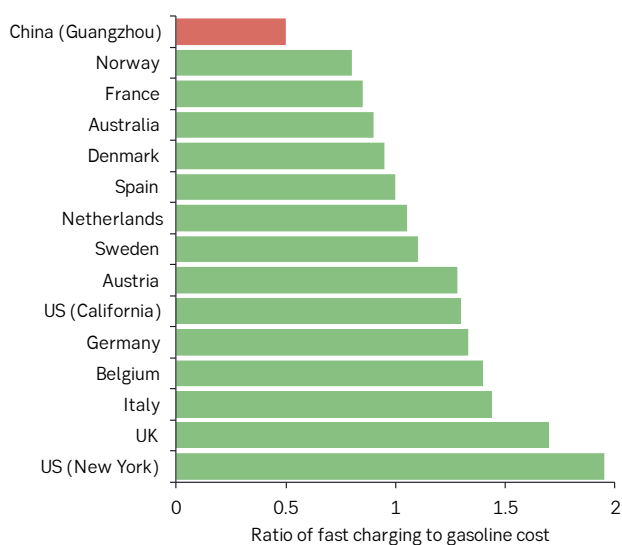
On the demand side, China has developed rapidly into the world's largest producer of electric vehicles, but they are scaling the market for EVs at an impressive pace too. EV sales in China topped 6 million in 2024 and are rapidly approaching 7 million and the growth in charging stations of 85% over the past 3 years supports that trend. At the



same time, the EV sales in Europe have turned lower and flattened in the US (Figure 5).

Renewable energy and EVs need to be connected, and the rapid expansion of charging stations in China is driving down the cost of EV charging (Figure 6). With over 3 million public charging connectors now available, China's charging network is growing faster than the combined networks of the US and Europe. This scale has made using an EV in China more affordable compared to other parts of the world, where charging costs often exceed the price of gasoline. As a result, EVs are becoming a more economical choice for a larger segment of the population, further accelerating China's shift toward EVs.

**Figure 6 Cost of fast charging around the world**



Source: BloombergNEF, Ecomovement, SEB

### USA: dialling transition back

From day one, Trump's energy policy has been a key part of his overall domestic policy agenda, with the passing of three executive orders with a climate focus such as withdrawing from the Paris Agreement, temporary withdrawal of offshore wind<sup>1</sup> and the "Unleashing American Energy" order. This is in line with what we had predicted prior to Trump's first day in office in our post-election Green Bond Report "Politics matters, economics decides", with some surprises related to solar.

Presently, in accordance with the "Unleashing American Energy" executive order, the Inflation Reduction Act (IRA) funding is paused for 90 days to allow agencies to understand how the funding aligns with the new executive

orders.<sup>2</sup> These new orders will ultimately have an effect on funding plans set in the IRA mainly in relation to offshore wind, EV's and solar.

The new "Unleashing American Energy" executive order has significant implications for EV's. Specifically, USD 7.5bn allocated for EV charging infrastructure, intended to promote the roll-out of chargers on highways in urban areas, is now at risk.<sup>3</sup> While a substantial portion of these funds have already been committed to projects or states, USD 3bn is expected to be a realistic figure of what is at risk due to the executive order's goal of eliminating the electric vehicle mandate to "foster true consumer choice".<sup>4</sup>

Additionally, offshore wind projects have experienced a temporary halt, with reviews now underway on federal wind energy permitting practices, resulting in a 29% reduction in BNEF's 2024-2035 offshore wind estimates.<sup>5</sup> However, existing offshore projects are not affected by these pauses.<sup>6</sup>

The solar industry has also been affected with the freezing of leases and permits for renewable projects on federal lands for 60 days. This pause could have a lasting impact, especially in the western U.S., where developers may continue to face struggles even after the 60-day period expires due to the already lengthy permitting timelines.<sup>7</sup>

While there is a lot of speculation surrounding executive orders, the results remain to be seen after the pause periods are lifted and conclusions of agency analysis have been made. What we do know as of now, is that the Trump administration has declared a 'National Energy Emergency'<sup>8</sup> and has identified 350 projects as "emergency" energy projects as per the instructions of the executive order and while some solar projects appear on that list, the majority fall within the fossil fuel related category and will be fast tracked likely without environmental review.<sup>9</sup>

There is thus still considerable doubt about the new US government's energy plans. There is little doubt that the administration is keen on scaling back all support for clean energy substantially, but any changes to the IRA will have to be approved by congress, too, and renewable energy is popular in congress even among 'Republicans. Amid these political uncertainties, more than 15% of IRA spending are now potentially at risk.

<sup>1</sup> [Whitehouse.gov](https://www.whitehouse.gov)

<sup>2</sup> [Unleashing American Energy](https://www.whitehouse.gov)

<sup>3</sup> BloombergNEF

<sup>4</sup> [Unleashing American Energy](https://www.whitehouse.gov)

<sup>5</sup> BloombergNEF

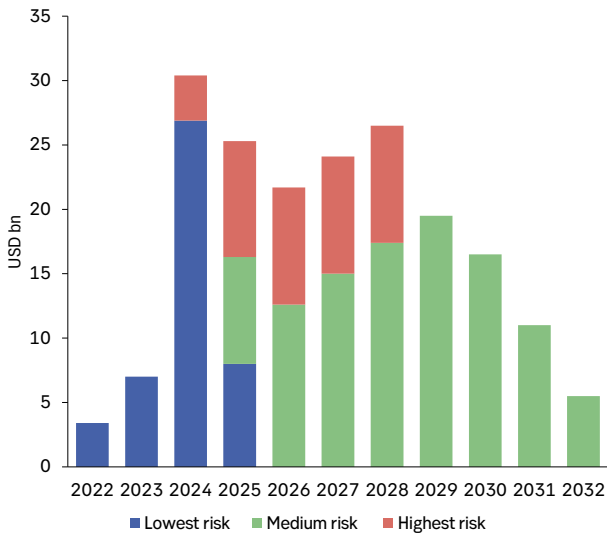
<sup>6</sup> [Whitehouse.gov](https://www.whitehouse.gov)

<sup>7</sup> BloombergNEF

<sup>8</sup> [Declaring a National Energy Emergency – The White House](https://www.whitehouse.gov)

<sup>9</sup> [The Hill](https://www.thehill.com)

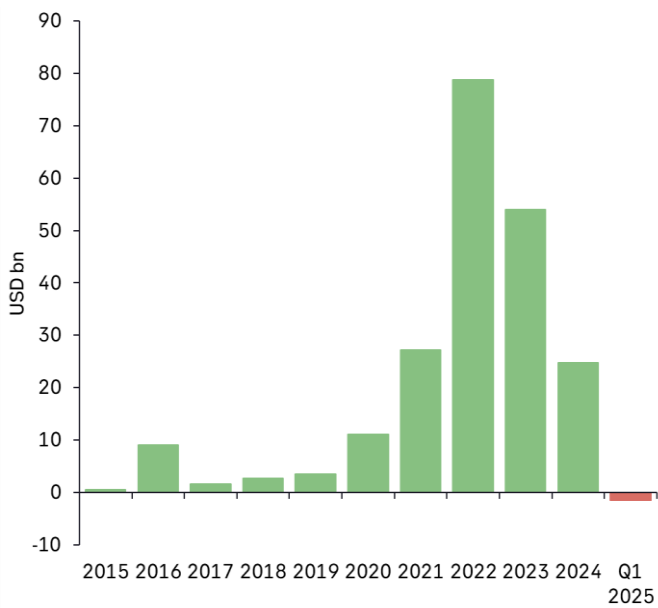
**Figure 7 Estimated annual subsidies for solar, battery and EV factories at risk of being removed**



Source: BloombergNEF

This still leaves substantial parts of the IRA intact, however, and when it comes to renewable energy investment, the federal government was never the main driver. The biggest investments in wind energy have taken place in predominantly Republican states in the mid-west, where weather conditions are particularly favourable, and wind offers big cost savings. Solar energy investment is particularly popular in the sunny South-East where Republicans also dominate. Private companies, especially in technology, are also a driver of investment through the increasing use of PPA agreements, also based purely on economic arguments.

**Figure 8 US announced investment in EV and battery manufacturing**



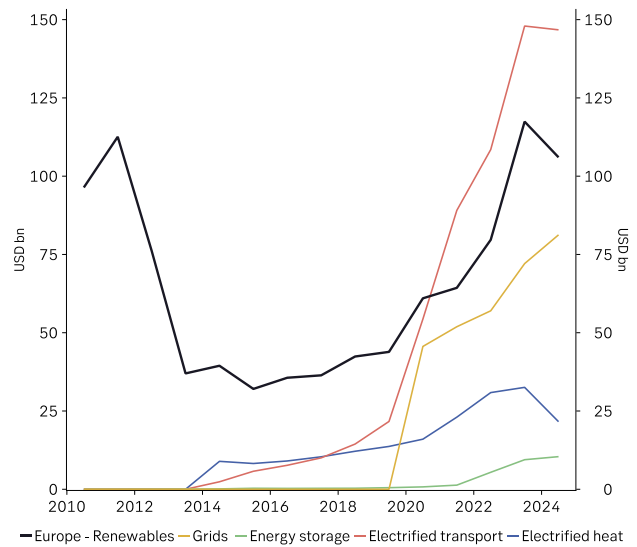
Source: Atlas Public Policy, SEB

All of this means that the clean energy transition will continue in the US regardless of what the president wants. Nonetheless, without active support from policymakers, the transition will be significantly slower. There were already indications before Trump took office that the planned EV and battery investments were starting to fade after the 2022 peak. The demand for EVs has also levelled off at a low level and the number of public chargers is significantly lower than in both China and Europe.

**Europe: hoping to follow China's lead?**

The clean energy transition has stagnated in Europe during the past few years across the value chain. Europe had been a leader in the early days of the transition, but investment declined after the GFC and the rebound in the 2020s was cut short by the political backlash against sustainability and the increased focus on cost and security in the past two years. Investment in renewable energy, grids and electrified transport all saw outright declines in 2024 (Figure 9).

**Figure 9 Europe transition investment**



Source: BloombergNEF, SEB

However, as we describe above, the backlash against sustainability is based on a misconception. There is no contradiction between the three objectives, and the local political and geopolitical advantages of renewable energy are starting to get more attention, not least after President Trump sowed new doubt about the security alliance between the EU and the US.

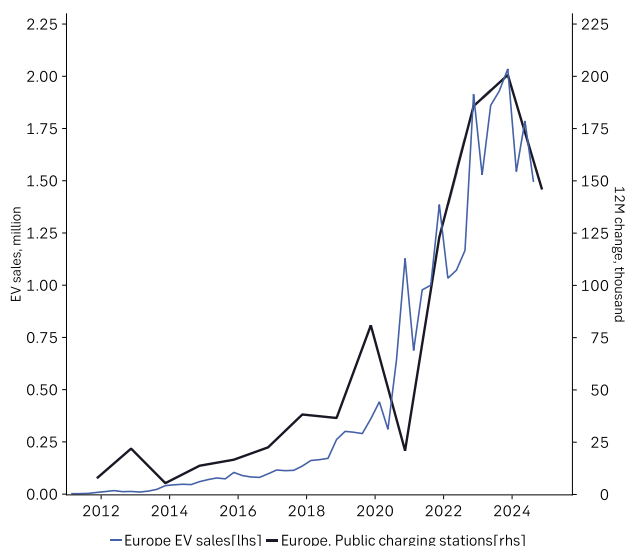
The EU's new Clean Industrial Deal marks a major shift in this direction. The plan is presented with exactly the arguments we described earlier: the EU wants to make energy cheaper for consumers and business, to make energy supplies more secure by reducing reliance on foreign suppliers and as a bonus, it also helps to reduce climate risks.

The plan also appears to recognize the main difficulty if you want to accelerate the transition: the need to coordinate across the whole value chain. The significance of grid investment is made clear, and this is one complementary investment area where activity has been lagging. It also highlights derisking of the private part in public-private partnerships to maximise the impact of the EU's limited financial arsenal.

As has been the case before, there is not full clarity about the exact amounts that will be made available to fund the new plan, but it certainly contains some potentially powerful tools. Perhaps the most potentially significant is the plan to guarantee PPA and CfD agreements for small and medium-sized companies. This could create a more powerful link from the private sector to clean energy investments. The newly announced EUR 100bn Decarbonization Bank, greater availability of financial guarantees, more streamlined state-aid rules, and looser permitting rules could help the EU catch up with China and decouple from the backward-looking US strategy.

The plan also eases the regulatory demands on Europe's business sector. With sustainability reporting regulations now being scaled back, the EU CID is focusing more of its attention on spurring domestic clean industry and energy. This is also likely to go down well with Europe's corporate sector. The whole plan actually looks like an attempt to realize the recommendations in the Draghi report from last year, which many investors agreed with, but did not expect to be realized.

**Figure 10 EV sales and change in number of chargers**



Source: BloombergNEF, SEB

The success of the EU's reframing of climate policy in terms of competitiveness and affordability also depends on the willingness of the incoming German government to support the transition.

CDU leader Merz is not known as fierce advocate for climate action. To strengthen energy security, the CDU had announced plans to build 50 new gas power plants and floated the idea of restarting nuclear power plants. This will not bring any near-term relief for consumers or security of supply because it would take years built. From a security perspective, building gas-powered plants powered by US LNG also may not be optimal if, as Merz has said, Europe has to become independent of the US.

However, Merz is known to be a business-oriented approach, and this suggests he should be receptive to the argument that renewable energy is cheaper to install and can start operating much faster than the alternatives. He probably also understands technology cycles and the long-term advantages of scaling a new and far better technology before your rivals.

Merz's government is also expected to put pressure on Brussels to lower carbon costs for industry and take a more technology neutral approach. This could mean that the EU's 2035 ban on combustion engine car sales comes under pressure to be revoked. However, in our view, this is unlikely to have any major impact. ICE vehicles will be made obsolete by EVs before the end of this decade. If EVs are far cheaper than ICE vehicles both to buy and operate, then ICE vehicles will phase themselves out.

### World must hope for Chinese success

It is difficult to avoid the fact that the transition will take longer than hoped in the new geopolitical regime and that we must prepare for further temperature increases. From a climate perspective, this means the world must hope that China's strategy of betting on the learning curve will be successful from an economic perspective.

If we are right, US is making a huge geopolitical mistake. China's bet on accelerated deployment should ultimately give them cheaper energy, faster, and this is a key determinant of the cost of using AI. It will most likely take a significant political change in the US to change this error. Most likely, this will be driven by the realization that the US is falling behind in economic terms due to its slow transition.

Despite this, we still expect global renewable energy investments to double by 2030. China is likely to continue expanding supply rapidly, the EU is targeting very significant increases in investment across the value chain and even in the US, the economic argument is strong enough to drive a continued increase. In the rest of the world, where the existing energy system is less developed, the cost argument is likely to drive a fast adoption of clean energy sources.

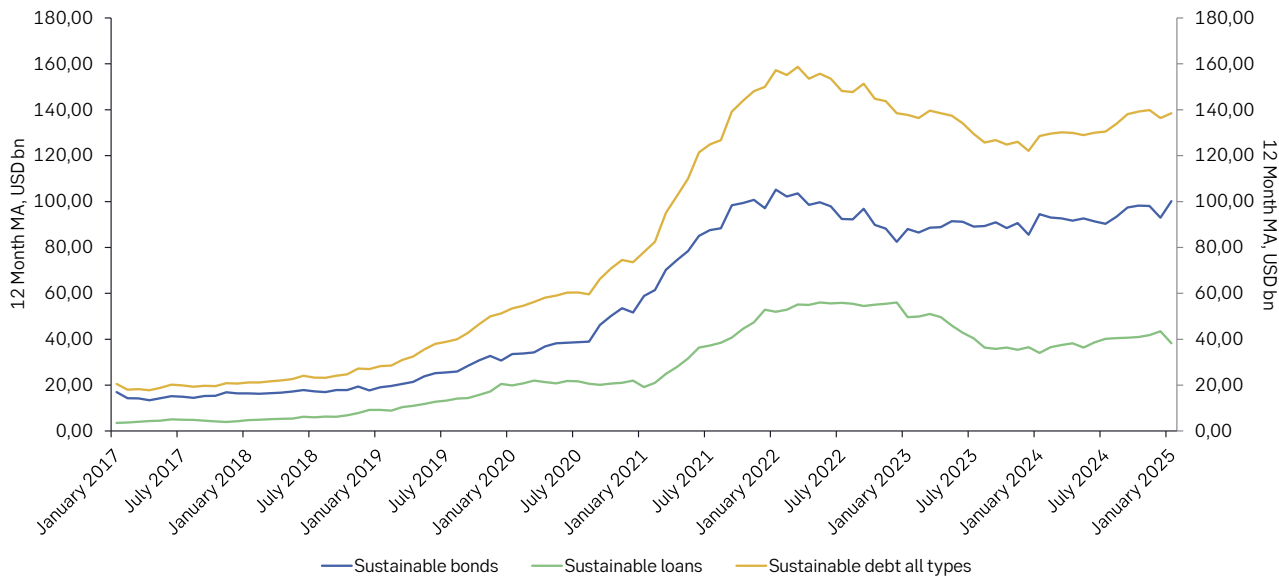


# Sustainable Finance Market update

Widening gap between ambitions and reality shifts focus to net-zero financing

2024 ended with USD 1.17bn in sustainable debt. Shifting political priorities are making it exceedingly difficult for sustainable finance market actors to meet their climate commitments. Despite these challenges, the market for sustainable debt remains resilient, with USD 160bn in sustainable bonds issued in the first two months of 2025.

**Figure 11 Rolling sustainable debt transaction average.**



Source: BloombergNEF as of 31 January 2025, SEB

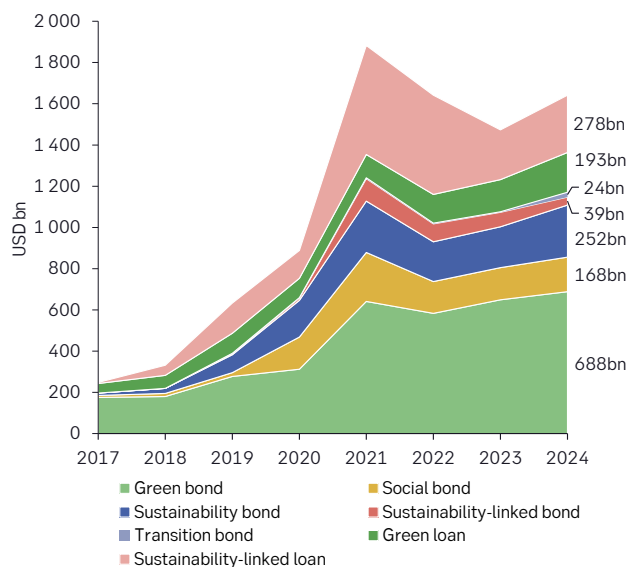
## 2024 second-best for sustainable debt

Last year saw a total of USD 1.17bn in new sustainable bonds and loans. Green bond issuance hit a record USD 688bn, making 2024 the strongest year ever year for this asset type. Sustainability bonds saw the second highest new issuance volume among use-of-proceeds debt instruments with USD 252bn in new capital raised, followed by social bonds with USD 168bn. Sustainability-linked bonds represent the total second smallest part of the sustainable finance market.

Sustainability-linked loans reclaimed second position among sustainable debt types with USD 278bn in new performance-based bank lending in 2024. Green loans noted their best-ever year with USD 193bn in new use-of-proceed lending.

Transition bonds emerged as a new sustainable asset class with USD 24bn in new issuances. However, they remain geographically concentrated in Asia, with all 2024 issuances coming from Chinese and Japanese issuers.

**Figure 12 Sustainable debt transactions by type**



Source: BloombergNEF as of 31 December 2025, SEB

Looking at year-over-year changes, sustainability bonds saw the strongest growth in 2024 of the established

Gregor Vulturius, PhD  
[gregor.vulturius@seb.se](mailto:gregor.vulturius@seb.se)

Thomas Thygesen  
[thomas.thygesen@seb.dk](mailto:thomas.thygesen@seb.dk)

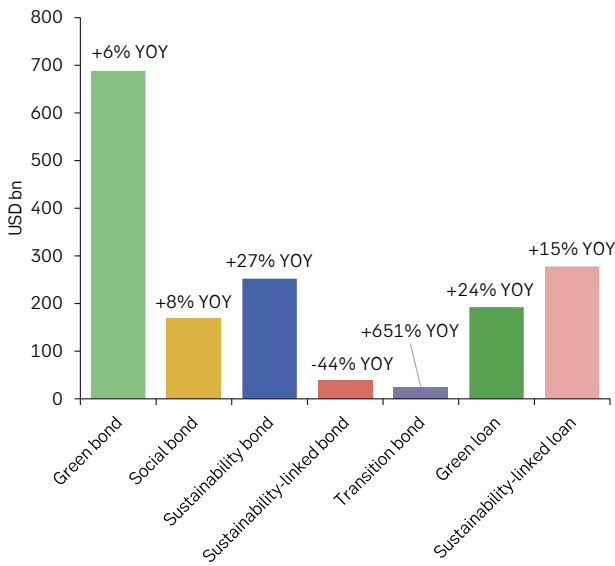
Ben Powell  
[ben.powell@seb.no](mailto:ben.powell@seb.no)

Samantha Arpas  
[samantha.arpas@seb.se](mailto:samantha.arpas@seb.se)

Alison Mariko Rhatigan  
[alison.rhatigan@seb.no](mailto:alison.rhatigan@seb.no)

sustainable debt products. Sustainable banking lending recovered last year, with sustainability-linked loans and green loans up 15% and 24%, respectively.

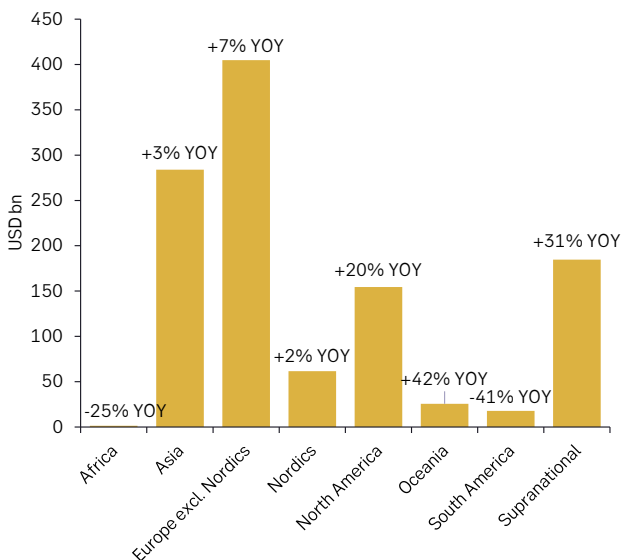
**Figure 13 Sustainable debt transactions by type in 2024**



Source: BloombergNEF as of 31 December 2025, SEB

Europe remained the largest market for new sustainable bond issuance in 2024, but growth was comparatively low. Asia also saw only very little growth in 2024. Among the larger markets, North America saw the strongest growth of 20% which suggests that some of the projects announced in the wake of the IRA have reached capital markets.

**Figure 14 Sustainable bond issuance by region in 2024**

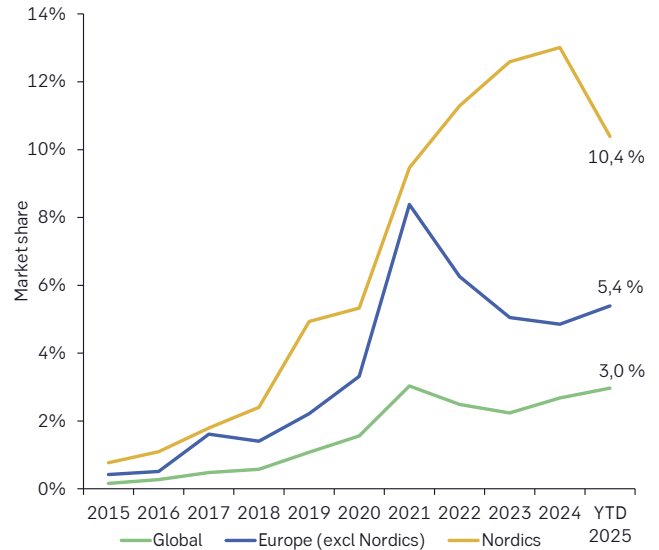


Source: BloombergNEF as of 31 December 2025, SEB

**Sustainable bonds off to robust start into 2025**

A total of USD 160bn in sustainable bonds have been issued in the first two months of 2025. This is putting the global market share of sustainable bonds at 3% a slight increase compared to 2024.

**Figure 15 Sustainable bond market share**

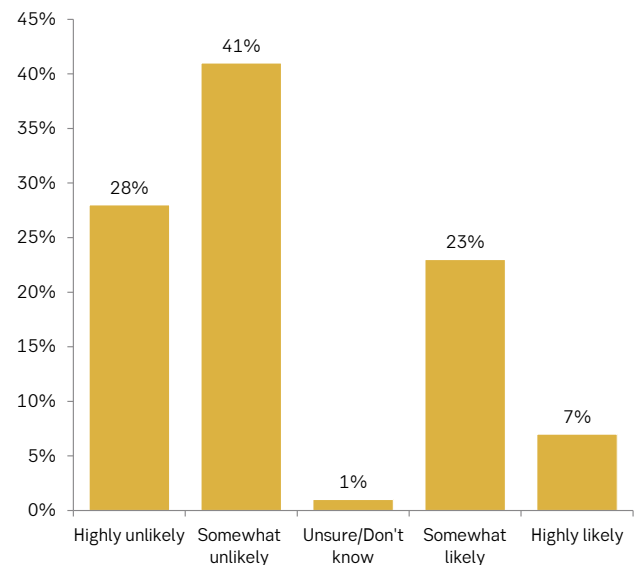


Source: Bloomberg as of 28 February 2025, SEB

**Gap between policy intensions and realities a dilemma for sustainable finance market actors**

Governmental policy, regulator action, and sustainable finance market actors are increasingly at odds with each other when it comes to climate action. The exit of key financial players from net-zero alliances highlights the friction between climate commitments and politics. Is avoiding fossil fuel industries a political stance conflicting with fiduciary duty or an economic strategy against stranded assets? With government policies falling short, how can corporates and financial institutions stay committed to 1.5°C targets? Most investors now doubt the world will reach net-zero this century.

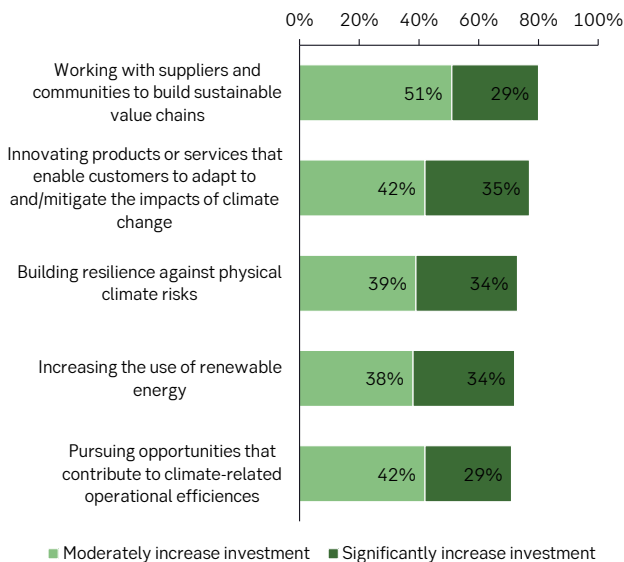
**Figure 16 Likelihood of achieving net-zero by 2050 according to investors**



Source: MSCI, SEB

Nevertheless, investors are confident that climate action—through renewable energy, risk preparedness, or supply chain resilience—gives corporations a competitive edge, regardless of climate targets.

**Figure 17 Investors intensions on companies taking climate action**

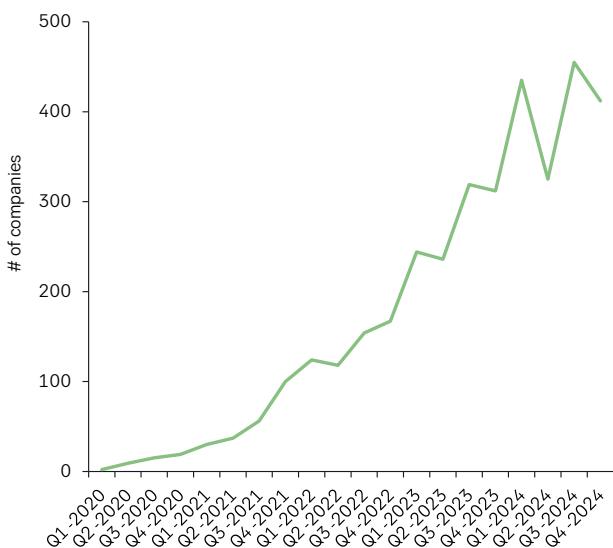


Source: PwC, SEB

### Corporate climate commitments remain strong

So far, corporate commitments to the energy transition remain strong. New corporate commitments to the Science-Based Target initiative (SBTi) net-zero standard reached their third highest number in the last quarter of 2024.

**Figure 18: New commitments to SBTi Net-zero standard**



Source: SBTi as of 31 December 2025, SEB

### EU is shifting its approach to sustainable finance

The gap between policy intentions and realities has also been a marker of the EU’s approach to sustainable finance. While financial institutions are being asked to incorporate Environmental, Social, and Governance risk management by supervisory authorities, there has been a disconnect between demands for European supervisory authorities and political actions to reach the EU’s climate commitments. The Clean Industrial Deal has shifted the EU’s approach and focuses more of attention on policies that enable investments in industrial decarbonization.

The EU is now also addressing another dilemma for financial institutions striving to balance climate commitments, reporting regulations. The Omnibus proposal has responded to calls for streamlining and delaying regulations like the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), and the EU Taxonomy. Now the challenge is to adjust the scope of these regulations without slowing down the progress on the EU climate targets, worsening transparency and adding complexity for investors and corporates as they as they navigate long-term planning in an evolving regulatory environment.

### Financing net-zero transition unifying objective

How can sustainable finance market actors navigate the friction between sustainability goals and real-world challenges? Since the first green bond was issued nearly two decades ago, sustainable finance’s key strength has been its direct link between investment and impact. Today, the transparency of sustainable bonds and loans is more critical than ever, as the push for greater investment in the energy transition unites market participants.

In practice, this could mean that climate commitments by financial institutions and corporates will refocus on scaling investments in net-zero whilst aligning with the Paris Agreement target of limiting global warming to 2 degrees with the ambition of 1.5 degrees. As argued by experts<sup>10</sup>, this would be a sensible decision because it would unify investor and corporate efforts around what is within their individual abilities – i.e. scaling investments into clean technology to achieve net-zero as soon as soon as possible with temperature targets as statement of ambition.

<sup>10</sup> Prof. Tom Gosling, London School of Economics, on Whether Investors Reset, Recalibrate, or Retreat from Net Zero | Man Group

# Regulatory update

## Omnibus bill

The European Commission has proposed reforms to simplify EU rules, boost competitiveness, and support business growth. The 'Omnibus' package focuses on reforming sustainability reporting, due diligence, and investment programs, to reduce the regulatory burden and incentivise transition investments.

### How did we arrive here?

The US Inflation Reduction Act was a wakeup call for Europe and the EU Commission on how to incentivize the transition to a low carbon economy. The narrative from the von der Leyen Commission started to change from the Green Deal and Fit for 55 regulations, to simplification and Net Zero Industrial Act allowing state subsidies to support new investments. The Draghi report of last year, on EU competitiveness, emphasized this reorientation towards competitiveness by putting spotlight on the overregulation and under investments leading to an uncompetitive Europe in a new multi-polar world.

Not long after Trump won the US election, Ursula von der Leyen mentioned at a press conference the possibility of doing an Omnibus regulation to, on the one side, keep all the good content of three Sustainable Finance regulations, the Corporate Sustainability Due Diligence Directive (CSDDD), the Corporate Sustainability Reporting Directive (CSRD) and the Taxonomy Regulation. But on the other side, remove overlaps and simplify parts of the regulations. At this point most analysts and Brussels insiders were expecting some level 2 changes that would show the Commission's determination to act on its simplification agenda, reducing red tape by 25%.

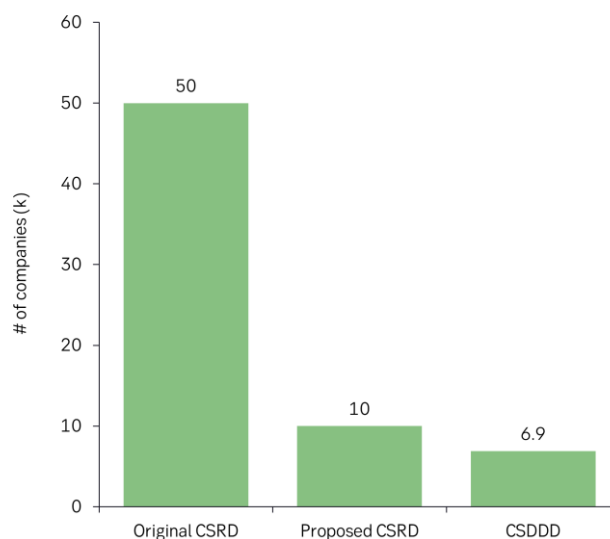
However, with the announcement of elections in Germany, the not-yet-proposed Omnibus regulation found itself at the center of a German election campaign and a weak French government's attempt to support French companies. In this process the stakes increased. Governments and political parties who had initially proposed the underlying regulations were now opposing their existence. Interestingly, some formerly very critical representative groups of the regulations became the moderates proposing important and relevant simplifications, while those who had not had any opinion before or supported the regulations in the past were now against it.

Inside the Commission the drafting was concentrated to a small group inside the EVP Dombrovskis' and EVP Séjourné's cabinets, meaning that the original technical owners of the regulation, i.e. DG FISMA and DG JUST, were not at the driving seat. The limited understanding of details of the regulations, prohibited the drafters from doing significant changes to simplify the technical content in the short time at hand. Instead, they were forced to make more generic principal changes in terms of scope, implementation year etc.

In the end, the Commission had to strike a fine balance between keeping relevant parts of the regulations and avoiding unintended consequences in terms of increased costs and reduced competitiveness of EU firms.

What is proposed in Omnibus and what are the implications?

**Figure 19 Companies in scope of CSRD**



Source: BloombergNEF, EU Commission

Karl-Oskar Olming

[karl-oskar.olming@seb.se](mailto:karl-oskar.olming@seb.se)

Alva Jonevret






[alva.jonevret@seb.se](mailto:alva.jonevret@seb.se)

## CSRD

The development of CSRD took place in parallel with the ISSB reporting standard covering non-EU companies reporting according to the IFRS standard. The main issue has been that while the ISSB only focused on financial

materiality drawing on the TCFD standard, the CSRD focused on double materiality and in addition introduced the full range of ESG topics from start. The first year of reporting has been a tough journey for large companies, which were first to adhere to the new directive.

**Table 1 Proposed changes to CSRD/ESRS**

Main topics	Current	Proposal
Date of implementation	FY 2024 (first wave) FY2025 (second wave) FY2026, opt out FY2028 (third wave)	2025 (first wave) 2028 (remaining companies in scope, see below, for example non-listed companies)
Scope	First wave: Large public interest entities >500 employees. Second wave, the other large undertakings must report in 2026. Third wave, SMEs with securities listed in EU regulated markets must report in 2027	<ul style="list-style-type: none"> <li>➤ &gt;1000 employees &amp;</li> <li>➤ either turnover &gt;50m EUR or balance sheet above 25m EUR</li> </ul> <p>80 % less companies in scope.</p>
Content		
 Double materiality principle	Double materiality (how sustainability risks affect their business and about their own impact on people and the environment)	Double materiality kept
 Assurance	Possibility moving from limited assurance to reasonable assurance	Reasonable assurance requirement removed
 ESRS Simplification	Delegated acts of ESRS	Commitment to simplify delegated acts of ESRS (reducing data points, improving consistency)
 Value chain cap	Disclose value chain information according to CSRD	For companies that are no longer covered by the CSRD, only disclose information according to voluntary reporting standard (based on the SME standard). Limits the information to collect for companies still in scope.
 Sector specific standards	Commission required to adopt sector-specific reporting standards	No sector-specific reporting standards

Source: EU Commission, SEB

## Implications & Next steps for CSRD

The Commission has proposed a “stop the clock” fast track for the parts of CSRD that relates to changing the scope and delaying the introduction of CSRD to companies in scope for reporting FY 2025 and 2026. Uncertainty persists for large companies not yet under CSRD and companies outside the new CSRD scope. Currently those companies are in a regulatory vacuum as they are supposed to adhere to national legislation while a new EU legislation to remove the old legislation is being negotiated. In reality, those companies are not expected to report according to CSRD for FY 2025.

While established very large companies, which reported according to CSRD for FY 2024, will continue “business as usual,” the remaining large companies will be phased in by 2028. Smaller companies under 1000 employees face a new, simplified standard via a delegated act. This could

create lack of data comparability between large-caps and mid-caps. The revision of SFDR in Q4 highlights the interconnectedness of sustainability reporting frameworks, demanding a coordinated approach to ensure coherence and avoid regulatory arbitrage.







## CSDDD

When the Trump administration clarified that the CSDDD would be seen as a European non-tariff barrier on American goods and services it was adding to the fears that the heavily criticized as well as hailed directive would undermine European competitiveness.

With this Omnibus-proposal the Commission is mainly buying itself time, but it also reduces the legal uncertainties surrounding the legislation. However, it keeps the CSDDD, which some large European governments argued should be delayed forever...



**Table 2 Proposed changes to CSDDD**

Main topics	Current	Proposal
Date of implementation	July 2027	26 July 2028
Scope	>5 000 employees and >1 500m EUR turnover •Gradual implementation for smaller companies until 2029	•>5000 employees and either •a turnover > EUR 1500 million or •Gradual implementation for smaller companies until same as CSRD scope
Content		
 Value chain scope	Entire value chain, indirect suppliers  Terminate contracts for non-compliant suppliers as a last resort.	Direct suppliers, unless plausible information on adverse impact for indirect business partner  Obligation removed to terminate business relationships.
 Liabilities	Non-compliance could result in civil liability Maximum penalties at least 5 % of global turnover	Reliefs on civil liability. Civil liability in national legislation remains. Penalty of 5% removed and made proportionate.
 Monitoring intervals	Supplier monitoring annually	Supplier monitoring every fifth year
 Transition plans	Implementation of transition plans	Only adopt not implement transition plans as in CSRD
 Financial institutions	Due diligence requirements for financial institutions	Requirements for financial institutions removed
 National Harmonization	For certain areas: member states can set stricter requirements	For certain areas: not possible to have stricter national requirements = level playing field

Source: EU Commission, SEB

### Implications & Next steps for CSDDD

The simplification of requirements for companies under the CSDDD, marks a step towards reducing the regulatory burden, for example reducing the scope of the value chain to mainly direct suppliers as well increasing supplier monitoring intervals to every 5th year. These changes have the possibility of easing the compliance process.






Additionally, the reduction of regulatory risks through the removal of civil liabilities and the introduction of "proportionate" penalties could lower the concern about legal repercussions, potentially encouraging companies to engage more readily in sustainability efforts. On the other hand, transparency and information regarding due

diligence risks and value chains will be reduced with a risk of neglecting global value chain related risks. Financial institutions are not part of the text and with the current draft there is no opening to revisit that decision.

### Taxonomy

The rumors leading up to the Omnibus proposal suggested that the EU Taxonomy would be made voluntary. The internal Commission compromise seem to have ended in the EU Taxonomy being kept for very large companies, i.e. companies with more than 1000 employees and more than EUR 450mn in turnover. For companies with more than 1000 employees and more than EUR 50mn in turnover it will be voluntary. To date voluntary reporting has meant no reporting. This remains to be seen.

**Table 3 Proposed changes to Taxonomy**

Main topics	Current	Proposal
Date of implementation	Already implemented for NFRD companies	Already implemented for the in-scope companies
Scope	Implemented for CSRD companies	Implemented for companies in scope of CSRD >1000 employees & turnover >450m EUR required reporting >1000 employees & turnover >50m EUR voluntary reporting
Content		
 Partial alignment	All Substantial contribution, Do No Significant Harm and Minimum Safeguards must be fulfilled	Partially Taxonomy aligned introduced: Option of reporting on activities that are partially aligned with the EU Taxonomy
 Materiality	All companies in scope of CSRD must report	Introduce a financial materiality threshold of 10% of Taxonomy-eligibility and alignment
 Templates	Several reporting templates	Reduce the reporting templates by around 70%.
 DNSH	Complex Do No Significant Harm(DNSH) criteria	Simplifications to the most complex "Do no Significant harm" (DNSH) criteria for pollution prevention and control related to the use and presence of chemicals as a first step in revising and simplifying all such DNSH criteria.
 GAR	Green Asset Ratio not relevant as asymmetric numerator and denominator	Adjust the Green Asset Ratio (GAR) by excluding from the denominator of the GAR exposures that relate to undertakings which are outside the future scope of the CSRD = symmetric GAR

Source: EU Commission, SEB

## **Implications & Next steps for the Taxonomy**

By introducing the possibility of disclosing partial Taxonomy alignment and some revisions of the Do No Significant Harm, the Commission opens for a more simplified and inclusive Taxonomy. For banks, the GAR is revised to become closer to what was originally proposed by the original TEG (Technical Expert Group on Sustainable Finance) namely having only Taxonomy eligible exposures on the numerator and denominator

For the EU Green Bond Standard, the proposed changes will not make a big difference, but most probably only the very large companies will be inclined to use it as they already report Taxonomy aligned CapEx.

The upcoming SFDR was expected to increase the role of the Taxonomy in defining sustainable investments. By keeping the Taxonomy, the SFDR changes can go ahead, but the reduced Taxonomy scope means the SFDR must be made more flexible in defining sustainable investments.

Finally, by creating voluntary reporting, companies at the forefront may report voluntarily, but not laggards. This creates a risk of skewed transparency of sustainability performance among corporates.

## **Carbon Border Adjustment Mechanism**

The Omnibus bill outlines a strategy for refining the Carbon Border Adjustment Mechanism (CBAM) to balance effectiveness with practicality, particularly for small businesses. By exempting importers below a 50-tonne threshold, the proposal aims to relieve 90% of importers, largely SMEs and individuals, from CBAM obligations. Importantly, this exemption still maintains coverage of over 99% of emissions within the CBAM's scope.

Simultaneously, the rules for remaining CBAM participants are expected for simplification, addressing authorization, obligations, embedded emissions calculations, and reporting. Finally, the strategy emphasizes the need for robust measures to prevent circumvention and abuse, ensuring the integrity of the CBAM system.

## **What will happen next**

The path to finalizing the EU's Omnibus legislation involves navigating a legislative process, primarily through trilogue negotiations between the EU Parliament, Council, and Commission. A "fast track" is proposed, for the legislation covering CSRD companies that haven't commenced reporting. However, for the remaining parts of Omnibus, the standard legislative timeline suggests potential delays. Member states, despite varying implementation speeds, will face pressure to transpose the directive within 12 months of its enactment, adding another layer of complexity. Hence, full implementation in national legislation possibly stretching to 2027.

For very large companies, the Omnibus proposal brings minimal changes, primarily simplifying the CSDDD and some Taxonomy simplifications whereas for other companies the future remains uncertain. Overall, the coming months will be marked by legislative maneuvering, potential delays, and the gradual clarification of reporting obligations.

So, what started out as an identified lack of competitiveness on global markets by large European companies partly due to overregulation, ended with mainly scoping out SMEs and midcaps from the regulations. Now the focus is turning to the announced technical revisions of both the CSRD and Taxonomy, where additional simplification can be expected.

# Simplifying sustainable finance

## The EU Platform on Sustainable Finance's key recommendations

The EU Platform on Sustainable Finance has provided recommendations to simplify sustainable finance regulations, focusing on SFDR categorization, the EU Taxonomy, transition plans, and benchmarks all with the purpose to improve usability and reduce reporting burdens. While these proposals aim to enhance clarity and investment decision-making, their implementation depends on the EU Commission.

### **EU Sustainable Finance Platform guides on themes of simplification and usability**

In the context of political volatility and regulatory uncertainty, the work of the EU Platform on Sustainable Finance, an advisory body under the European Commission, can have a guiding role in enhancements for simplification. As policymakers grapple with these challenges, the Platform's reports provide essential insights into the EU Commission's approach to addressing concerns about the complexity of sustainable finance regulations. These reports serve as a key tool in advising on shaping the future of sustainable finance in Europe, offering a potential technical pathway through the regulatory complexities surrounding the EU Sustainable Finance Agenda.

The two-year mandate of EU Platform on Sustainable Finance ends in March 2025. SEB is the only private bank represented, alongside the European Banking Federation, with Karl-Oskar Olming as SEB's representative, supported by Alva Jonevret.

In recent months, the Platform has published a series of reports providing recommendations to the EU Commission, emphasizing simplification to address usability concerns raised by stakeholders. These reports cover various critical topics, including updates to the product categorization and Sustainable Finance Disclosure Regulation (SFDR), credible transition plans, new Taxonomy activities, CapEx-based transition benchmarks, and monitoring of capital flows toward sustainable investments.

While these recommendations aim to guide future policymaking, it is first up to the EU Commission how they decide to act and they remain subject to approval processes, including negotiations between the EU Parliament and the Council for level one legislation and internal Commission scrutiny for delegated acts. Upcoming is a summary of the recent reports by the Platform on Sustainable Finance.

### **SFDR Categorization**

*Categorization of Products under the SFDR: Proposal of the Platform on Sustainable Finance*

The EU Platform on Sustainable Finance published a proposal to the EU Commission to revamp the SFDR product labeling system. This comes in response to widespread confusion, especially among retail investors, about the current Article 6, 8, and 9 disclosure classifications. One issue that the proposal seeks to address is the perception that there are "better" rankings of one product's objective over another, which can be misleading. The report aims to create a more transparent and user-friendly system, prioritizing the needs of advising retail investors and ensuring they can easily understand the sustainability characteristics of different financial products. Ultimately, the goal is to eliminate ambiguity and facilitate more informed investment decisions.

The core proposal outlines a new four-tiered categorization framework (moving away from disclosure classification): "Sustainable," "Transition," "ESG Collection," and "Unclassified." Each category is defined by specific minimum requirements and measurable indicators. The "Sustainable" category focuses on investments already aligned with sustainability goals, while "Transition" targets products investing in companies transitioning to more sustainable practices. "ESG Collection" encompasses products prioritizing strong ESG performance through integration and exclusion, and "Unclassified" serves as a catch-all for products not meeting the criteria of the other categories or that are not categorized.

The categorization works with both environmental and social considerations across all categories. The proposal also considers how existing Article 6, 8, and 9 products would map to these new categories, providing a pathway for transition to the new framework as illustrated in Table 4.

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Samantha Arpas  
[samantha.arpas@seb.se](mailto:samantha.arpas@seb.se)

Karl-Oskar Olming  
[karl-oskar.olming@seb.se](mailto:karl-oskar.olming@seb.se)

Alva Jonevret  
[alva.jonevret@seb.se](mailto:alva.jonevret@seb.se)

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**Table 4 Current SFDR product mapping to proposed categorization**

SFDR Product	Sustainable	Transition	ESG Collection	Unclassified
Article 6	X	X	X	✓
Article 8	✓	✓	✓	✓
Article 9	✓	(✓)	X	X
Article 9 tracking climate benchmark	✓	(✓)	X	X

Source: EU Platform on Sustainable Finance, SEB

*What is the anticipated outcome of this proposal?*

The SFDR review is expected for Q4 2025. By then the Omnibus, which provides a lot of the potential datapoints to SFDR products, has probably been finalized. The Platform proposal is expected to provide an important input to the Commission's revision alongside the ESMA recommendations. Since both proposals include a sustainability and transition category those are likely product outcomes. The devil is in the detail and a lot of work remain to define thresholds for the categories.

*Should it be implemented, what potential effects could it have on the market?*

An increased focus on transition products investing in companies that are improving their sustainability performance could be expected. Improved sustainability advisory in investment decisions with clearer definitions of the categories.

Given the changed scope of the Omnibus proposal where companies with less than 1000 employees are scoped out, an additional source of information will probably be the voluntary SME reporting standard for companies below 1000 employees.

**Addition of new activities to the EU Taxonomy & Review of the Climate Delegated Act**

*Platform on Sustainable Finance Draft Report on Activities and Technical Screening Criteria to be Updated or Included in the EU Taxonomy*

The EU Platform on Sustainable Finance has published its draft report with recommendations on the addition of

activities to the EU Taxonomy as well as a review of the Climate Delegated Act.

The draft report proposes that the Taxonomy be expanded to include three new areas: applied research and digital solutions that contribute to the taxonomy's four environmental goals (sustainable water use, circular economy, emission reduction, and ecosystem protection and restoration), as well as the mining, refining, and metallurgical processing of metals such as lithium, nickel, and copper, which are critical for the transition. Furthermore, it includes a proposed review of the Climate Delegated Act for energy activities with a significant reduction in CO2 thresholds.

The report also highlights additional activities currently under expert review, which have not yet been finalized. These include the manufacturing of firefighting aircraft, the maintenance of bridges and tunnels, the production of low-emission tires, and the development of energy-efficient equipment for industrial use.

*What is the anticipated outcome of this proposal?*

The proposal awaits next steps by the EU Commission and given the focus on Omnibus, it might not be prioritized in the near term. If the proposal becomes a delegated act the Taxonomy scope expands to more activities relevant for the transition, in particular mining and refining an important industry in the Nordics. However, there are concerns regarding how some of the mining criteria have been set. For the review of the Climate Delegated Act, there may be a push to adopt this more rapidly.

*Should it be implemented, what potential effects could it have on the market?*

Some Nordic mining and metal companies could potentially disclose material Taxonomy aligned CapEx and revenues. If the Taxonomy thresholds for energy are reduced as proposed, it does not have a significant effect on new renewable energy, but for new gas fired power plants it may have some effects on only allowing the absolutely highest performance levels, i.e. below 240 g CO2/kWh.

**Proposal for transition plans**

*Building Trust in Transition: Core Elements for Assessing Corporate Transition Plans*

This report from the EU Platform on Sustainable Finance focuses on the crucial role of credible transition plans in facilitating access to transition finance, which is essential for achieving the EU's net-zero emissions goal by 2050. It emphasizes that robust, consistent, and assessable transition plans are key to unlocking investments in climate mitigation and other sustainability initiatives. The report aims to guide both companies preparing these plans and

financial market participants (FMPs) assessing them, proposing ways to integrate tools like the EU Taxonomy.

The report's core recommendation centers around key elements for credible transition plans: science-based and time-bound targets (including robust emissions disclosures), detailed mitigation actions and decarbonization levers (including fossil fuel phase-out strategies where applicable), aligned financial planning (demonstrating how investments support the plan), and strong governance (including board oversight and stakeholder engagement).

The report also addresses the importance of a "Just Transition," incorporating social considerations and climate adaptation into transition plans. Finally, it offers several policy recommendations to the European Commission, including developing common transition plan templates, checklists for FMPs, sectoral transition pathways, and guidance on scenario selection and science-based target setting. These recommendations aim to standardize and strengthen transition planning, ultimately boosting investor confidence and accelerating the shift to a sustainable economy.

**Figure 20 Core elements to assess transition plans**

Core transition plan elements	Assessment of plans	Recommendations to the Commission
Science-based and time-bound targets	<ul style="list-style-type: none"> <li>Alignment of targets with the limiting of global warming to 1.5C with no or limited overshoot</li> <li>Use of scenarios for target setting</li> <li>Scope of targets (mid-term targets, scopes 1-3, absolute and intensity targets, net vs gross)</li> </ul>	<ul style="list-style-type: none"> <li><b>Develop sectoral transition pathways for high-emitting sectors at the EU level</b>, complete with technology roadmaps</li> <li><b>Provide guidance for selecting scenarios</b> that can be used for credible science-based corporate target setting and transition planning</li> <li><b>Develop a set of criteria for qualifying targets as credible and science-based</b></li> </ul>
Mitigation actions and levers	<ul style="list-style-type: none"> <li>External dependencies (e.g. geographic and policy factors)</li> <li>DNSH assessment of implemented or planned actions</li> <li>Fossil fuel phase-out carbon lock-in assessment</li> </ul>	<ul style="list-style-type: none"> <li><b>Consider robust transition plans as a valuable source of information</b> for discussions on future decarbonization initiatives and infrastructure planning</li> </ul>
Financial planning	<ul style="list-style-type: none"> <li>Integration with financial plan</li> <li>Taxonomy aligned capex</li> <li>Capex for new investments in fossil fuel infrastructure</li> </ul>	<ul style="list-style-type: none"> <li><b>Conduct further work to adequately account for the depreciation of assets</b> at risk of becoming stranded, the impact of embedded emissions in fossil fuel reserves, and the identification of carbon lock-in with new investments</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Board and audit committee oversight</li> <li>Stakeholder engagement and lobbying</li> <li>Monitoring and implementation of plan and actions</li> </ul>	<ul style="list-style-type: none"> <li><b>Develop a common transition plan template for non-financial undertakings</b>, that can be used across various pieces of EU legislation</li> </ul>
Usability		<ul style="list-style-type: none"> <li><b>Develop a common transition plan template for non-financial undertakings</b>, that can be used across various pieces of EU legislation</li> </ul>

Source: EU Commission, SEB

This is a first of its kind summary looking at various regulations and what is out there, depending on the simplification taking place, these points could potentially help focus the efforts to the most important dimensions of a transition plan.

*What is the anticipated outcome of this proposal?*

The recent Omnibus bill proposes simplifications of CSDDD and specifically transition plans, with a shift from an expectation of implementation of transition plan to just adoption of a transition plan. However, despite these simplifications, given that transition planning is part of both ESRS and ISSB it will have an important role going forward. It can be expected that any future EU revisions of regulations including transition plans will take notice of this report.

*Should it be implemented, what potential effects could it have on the market?*

The proposal on core elements has the potential of playing a key role in what corporates should focus on in disclosing their transition plans and streamlining assessment of

corporate transition plans by financial institutions. However, it is unclear how this will be incorporated in Commission legislation.

## Benchmarks

### *Investing for Transition Benchmarks*

This report introduces Investing for Transition Benchmarks (ITBs), designed to direct capital toward companies with above average Taxonomy aligned CapEx, drawing inspiration from EU Paris-Aligned Benchmarks (PABs). Two types of ITBs are proposed: those without exclusions (ITBs), allowing broader investment diversification and engagement across industries, including fossil fuels; and those with exclusions (ITBex), which restrict investments in coal, oil, and gas based on revenue and CapEx thresholds. The core objective of both ITB types is to accelerate the reallocation of capital to sustainable investments by selecting, weighting, or excluding assets to ensure a portfolio with a high and increasing share of Taxonomy-aligned CapEx, while ensuring that companies without Taxonomy-aligned CapEx follows a decarbonization pathway aligned with EU PAB minimum standards.



Key distinctions from PABs and CTBs include a less stringent initial decarbonization requirement (7% annually for ITBs vs. 57% for PABs and 37% for CTBs) and an alignment with a 1.5-degree scenario that allows for potential overshoot, addressing investor concerns about the initial decarbonization demands of other benchmarks. Minimum standards are defined for both ITB and ITBex, covering aspects like year-on-year decarbonization, investable universe pre-filters (including exclusions for ITBex), scaling of Taxonomy-aligned CapEx, and consequences for misalignment.

*What is the anticipated outcome of this proposal?*

The proposed ITBs, if turned into a regulation, will enhance comparability among transition benchmark methodologies with a focus on increased Taxonomy aligned investments in the real economy while offering flexibility for administrators.

*Should it be implemented, what potential effects could it have on the market?*

The already shift in investor focus from Taxonomy aligned revenues (backward looking) to Taxonomy aligned CapEx (forward looking) as a way to invest in transition is expected to accelerate as which will benefit companies issuing EU GBS as well as other companies with high Taxonomy aligned CapEx.

## **Simplification**

*Simplifying the EU Taxonomy to foster sustainable finance*

This report addresses the need to simplify and refine the EU Taxonomy to unlock its full potential for guiding investments toward a sustainable, net-zero economy. Recognizing that practical concerns and reporting burdens hinder its effectiveness, the report offers several key recommendations for the European Commission.

The core proposals focus on simplifying Do No Significant Harm (DNSH) assessments and reporting obligations, adjusting them based on user type (financial vs. non-financial), use case (turnover vs. CapEx), and geography (EU vs. non-EU exposures). It recommends introducing materiality principles and simplified DNSH assessments, along with concrete proposals for using estimates and safe harbors in financial sector reporting. The report also addresses asymmetries in the Green Asset Ratio (GAR) and Green Investment Ratio (GIR), proposing the use of proxies and estimates, especially for retail assessments. Further simplification is suggested for corporate KPIs, focusing on a clarified and limited OpEx calculation, and for the underwriting KPI, suggesting clarifications and the use of proxies. Finally, the report recommends streamlining reporting templates, promoting the use of estimates across

the Taxonomy framework (with clear guidance), a consistent approach to derivatives, and timely guidance on assurance for Taxonomy reporting.

*What is the anticipated outcome of this proposal?*

The Omnibus Proposal includes several elements part of the Simplification proposal, for example, review of GAR and its asymmetry, review of DNSH criteria, materiality threshold and shortened and simplified templates. If fully implemented the combined measures will reduce reporting burdens and encourage wider adoption of the Taxonomy.

*Should it be implemented, what potential effects could it have on the market?*

The DNSH (Do No Significant Harm) criteria, has been a significant pain point, revisiting it is a step in the right direction. This revision has the potential of aligning the EU taxonomy more closely with other global frameworks while making it less complex and open to interpretation.

If adopted, it will facilitate more Taxonomy reporting ultimately driving the Taxonomy as a tool for investments in sustainable activities.

## **SME**

The Platform has also been mandated to review treatment of SMEs and SME finance in the EU sustainable finance framework and is planning to publish a report on facilitating access to sustainable finance for SMEs on how SMEs can comply with the EU Taxonomy. The initial approach has been a Simplified Approach, simplifying compliance with the Taxonomy criteria for listed SMEs, and a Streamlined Approach, providing unlisted with a framework to help them demonstrate their climate-related sustainability efforts and thereby more easily access external financing for these efforts.

*What is the anticipated outcome of this proposal?*

Given the Omnibus simplification proposal, having two approaches for unlisted and listed SMEs is no longer of equal relevance, the Simplified Approach will play a bigger role. The Omnibus bill introduces a value chain cap for CSRD meaning that for companies that are no longer covered by the CSRD, are only expected to disclose information according to the voluntary reporting standard (based on the VSME standard). Given the important role of the voluntary reporting standard and the new landscape, these changes will likely be items taken into account for the upcoming SME report and recommendations.

## **Going forward**

The reports demonstrate how the Platform has worked to address existing regulatory burdens and hurdles with the simplification and increased usability, recommendations for

the EU Commission in the increased focus on simplification and competitiveness. One report to come, is on the topic of monitoring of capital flows to sustainable investments. The report introduces a novel framework for monitoring capital flows into sustainable investments, primarily leveraging Taxonomy-aligned CapEx reporting from large listed European firms which reached EUR 250bn in 2023. By consolidating regulatory and market data, the report provides fresh insights into the state of play for large European corporates' transition efforts as well as the financial sector. For the financial sector it provides an overview and break down of among others the trillion-euro EU green debt market both in terms of green loans and green bonds. The report will be released on March 10.

The mandate of the EU Platform on Sustainable Finance comes to an end in March and a natural question is whether there will be a next Platform 3.0. With the Omnibus proposal, the Commission has the potential to remove legally binding requirement of having a technical advisory body. To date there are no indications that the Platform will be removed, but given the intensive work with the Omnibus package, the start of a new Platform might be significantly delayed.

# The EU's new plan for competitiveness and decarbonization

More funding, less regulation and "Buy EU" to promote domestic clean tech industry

The EU Clean Industrial Act aims to address Europe's competitiveness challenges by focusing on affordable energy, innovation, and industrial decarbonization. Key actions involve increased funding for clean tech investments, lower energy costs, and "Buy EU" requirements. These policies could help the EU close the innovation gap with global competitors.

## EU competitiveness needs urgent action

Improving competitiveness amid an ever more uncertain geopolitical situation has become the cornerstone objective of the new EU Commission. The Draghi report highlighted that Europe's economic weaknesses are rooted in several structural and policy-related challenges. They include high energy costs, fragmentation of fiscal policies, slow integration of energy and capital markets, over-reliance on imports, and lack of funding for innovation in energy technologies and digitalization. To address these shortcomings, the Draghi report identifies three main areas to reignite sustainable growth in Europe.

- Closing the innovation gap with the US and China
- Increasing security and reducing excessive dependencies
- Joint plan for competitiveness and decarbonization

## EU Clean Industrial Deal focuses on energy costs, innovation and investments

On the 26<sup>th</sup> of February, the Commission published the EU Clean Industrial Deal (EU CID). With a focus on competitiveness, the EU CID proposes actions to close the innovation gap and enhance global economic resilience.

With its new proposal, the EU Commission addresses the fact that decarbonization policies are a powerful driver of economic growth only if they are well integrated with industrial, competition, economic and trade policies.

The key pillar of the EU CID is comprehensive Action Plan for Affordable Energy which outlines several actions to lower electricity bills, accelerate the roll-out of clean energy and manufacturing, attracting investments in clean energy, ensure well-functioning gas markets and integrating EU power and energy markets.

In addition, the EU CID also focuses promoting the supply and demand for decarbonized products, mobilizing public and private investments in the energy transition as well as

building global markets and international partnerships for clean energy supply chains. The EU CID also includes new policy proposals for circular economy and workforce skills.

## EUR 108bn in funding under the EU CID

The cornerstone of the EU CID will be the Industrial Decarbonization Bank which will draw from existing funds in the Innovation Fund, InvestEU and additional revenues from the ETS. The new facility will support projects with carbon emission reduction as a metric to enable technology-neutral support across industrial sectors.

### Figure 21 Additional and reallocated funding in the EU CID

Mechanism	Funding	Timeline
Industrial Decarbonisation Bank	EUR 100bn	Q2 2026
Pilot auction on industrial decarbonization under the Innovation Fund	EUR 1bn	2025
Short-term relief for clean manufacturing through additional guarantees under MFF	EUR 1bn	N/A
Increase in InvestEU risk bearing capacity	EUR 2.5bn	Q1 2025
Third call under the Hydrogen Bank	EUR 1bn	Q3 2025
EIB pilot offering financial guarantees for PPA off-takers, with a focus on SMEs and energy-intensive industry	EUR 500mn	Q2 2025
EIB grids manufacturing program	EUR 1.5bn	N/A
Flagship call under Horizon Europe	EUR 600mn	Q4 2025
EIB CleanTech guarantee Facility under TechEU programme on scale-ups powered by InvestEU	N/A	2026

Source: EU Commission, SEB

The Commission is mentioning carbon contracts for difference (CCFD) as one option how the EUR 100bn from the Decarbonization Banks could be allocated. In October, The German government awarded it its first CCfD providing EUR 2.8bn to domestic green industrial projects, bridging the difference between the cost of conventional fossil-fuel-based production and cleaner alternatives, for chemicals, glassmaking, metals and paper production.

The CID framework will also increase InvestEU's risk bearing capacity with the aim of mobilizing up to EUR 50bn in additional private and public investment, including in clean tech, clean mobility and waste reduction.

The Commission is also planning to leverage more private investments in clean technology through guarantees. Existing guarantee instruments under InvestEU will be used by the EIB Group, in part in connection with a Clean Tech Guarantee Facility. The EIB will also offer guarantees for power purchasing agreement (PPA) offtakers and grid components manufacturers. The CID also proposes additional guarantees for clean manufacturing under the EU's current Multiannual Financial Framework (MFF)

Green guarantees have seen limited uptake in Europe so far. Since 2021, the Swedish Debt Office (Riksgälden) has offered state credit guarantees amounting to approximately EUR 8bn for clean energy projects. By the end of 2024, guarantees totaling EUR 3.2bn have been provided for three projects focused on green fuels, batteries, and clean steel production. However, with one of the beneficiaries facing bankruptcy, the Swedish experience highlights that while guarantees can be a necessary tool, they do not guarantee success in helping EU policymakers build a robust domestic clean technology industry.

### EU CID marks shift towards more enabling regulation

The EU Commission has been criticized by its heavy focus on prescriptive policies to achieve the EU Green Deal objectives. With sustainability reporting regulations now being scaled back, the EU CID is focusing more of its attention on spurring domestic clean industry and energy.

**Figure 22 Regulatory policies in the EU CID**

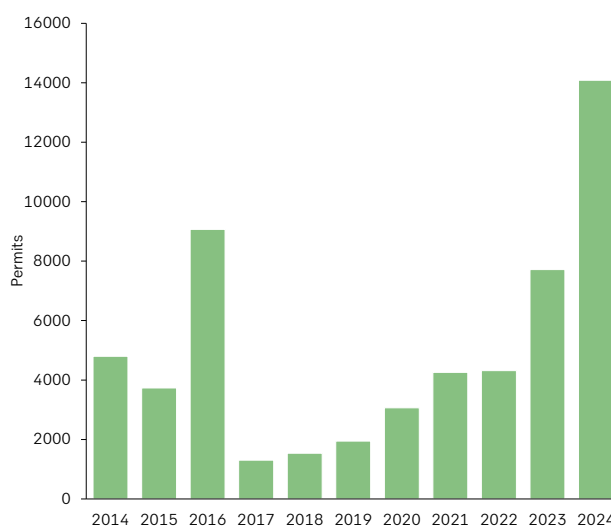
Type of regulation	Timeline
<b>Enabling policy</b>	
Speed-up permitting for industrial access to energy and industrial decarbonisation	Q4 2025
Clean Industrial State Aid framework	Q2 2025
Recommendations on lowering network charges and energy taxation	Q2/Q4 2025
Guidance on CfD design, including on combining CfDs and PPAs	Q4 2025
European Grid Package	Q1 2026
<b>Prescriptive policy</b>	
Minimum EU content requirement in public and private procurements	Q4 2025
Revision of Public Procurement Directives to mainstream the use of non-price criteria	Q4 2026
Delegated act on low-carbon hydrogen, providing regulatory certainty to producers of low carbon hydrogen	Q1 2025
Communication and legislative proposal on greening corporate fleets	2025/2026
<b>Other</b>	
Voluntary low carbon product label	Q4 2025

Source: EU Commission, SEB

To achieve this objective, the EU CID proposed an Industrial Decarbonization Accelerator Act which aims at speeding up permitting of clean industrial projects, lack of demand for clean materials and uncertainty around how green products are defined and labeled.

Cumbersome permitting rules have been one of the main bottlenecks of the energy transition in Europe and elsewhere. Recent changes to Germany's permitting rules for onshore wind power may serve as a good example what regulatory changes can do to accelerate clean energy. Over the past two years, changes to federal acts on nature conservation, renewable energy auctions, building code as well as planning ordinances have been enacted. Together, these amendments have led to a new record of new onshore wind power permits in 2024.

**Figure 23 New onshore wind power permits in Germany**



Source: Bundesnetzagentur, SEB

### “Buy EU” success depends on openness for international collaboration

The EU CID proposes minimum content requirements and non-price criteria in public and private procurement policies to meet the EU Net Zero Industrial Act objective of 40% of clean technology products produced in the EU.

Local content requirements (LCR) promise job creation, greater supply chain resilience, industrial development and technology transfer and innovation. However, LCR can also lead to increased costs, trade disputes and less competitiveness on the global market. Experience in the clean energy space have shown that LCR had limited success in building strong domestic industries and export. Reasons for this include lack of supply chain integration, limited local capacity and expertise, overspecialization and discouragement of foreign investment.

Setting minimum content requirements and promoting made in EU in procurement policies can make for a stronger domestic clean tech industry in Europe depending on several factors.

- Gradual implementation would allow local industries to scale up without significantly disrupting costs
- “Buy EU” requirements allow for technology transfer and partnerships with global leaders
- LCR policies are flexible to meet the specific capabilities and needs of the market.
- Greater support for domestic producers and innovation through concessional funding

China’s CALB announcement made on 21 February to build its first EV battery plant in Europe may indicate how EU domestic product requirements could allow the use of foreign components and supply chains to ensure access to the most competitive industries. Portugal’s Government announced that the EUR 2bn investment would be eligible for up to 35% or EUR 350mn in EU support.

### **EU needs to offer certainty and flexibility to catch up with the US and China**

With the EU Clean Industry Directive (CID), the European Commission is proposing a more balanced approach to fostering a competitive clean technology industry in Europe. Increased use of financial guarantees, coupled with a more harmonized subsidy framework and streamlined permitting processes, is expected to make the EU a more attractive destination for clean energy investments. These initiatives position the EU to gain an edge over the US, where the future of clean energy support is increasingly uncertain.

The EU Clean Industry Directive (CID) acknowledges that the EU cannot achieve its clean industrialization goals without global partnerships. Confronted with the dual challenges of geopolitical uncertainty and diminished competitiveness, the EU must strike a balance between the desire for strategic autonomy in sensitive sectors and the goal of building a competitive, affordable, and decarbonized economy that relies on open markets.

New requirements for minimum domestic content and non-price procurement criteria present risks of higher costs and reduced competitiveness in the global market. However, these risks can be mitigated if the EU creates flexible frameworks that facilitate technology transfer and attract foreign investment, particularly from China. The EU CID already addresses this by recommending member states to consider the need for joint ventures or intellectual property transfers in foreign investments in strategic sectors like renewables and automotive manufacturing.



# The Green Bond Editorial Team

**Gregor Vulturius, PhD**

Lead Scientist and Senior Advisor  
Climate & Sustainable Finance  
[gregor.vulturius@seb.se](mailto:gregor.vulturius@seb.se)

**Thomas Thygesen**

Head of Strategy & Equities and a transition specialist  
Sustainable Banking  
[thomas.thygesen@seb.dk](mailto:thomas.thygesen@seb.dk)

**Elizabeth Mathiesen**

Senior Strategist  
Equity Strategy Research  
[elizabeth.mathiesen@seb.dk](mailto:elizabeth.mathiesen@seb.dk)

**Ben Powell**

Head of Sustainability Fixed Income  
DCM/Bond Origination  
[ben.powell@seb.no](mailto:ben.powell@seb.no)

**Karl-Oskar Olming**

Head of Sustainability Strategy and Policy  
Sustainable Banking  
[karl-oskar.olming@seb.se](mailto:karl-oskar.olming@seb.se)

**Mads Skak Bossen**

Quantitative Strategist  
Equity Strategy Research  
[mads.bossen@seb.dk](mailto:mads.bossen@seb.dk)

**Alison Mariko Rhatigan**

Sustainable Finance Analyst  
DCM/Bond Origination  
[alison.rhatigan@seb.no](mailto:alison.rhatigan@seb.no)

**Filip Carlsson**

Junior Quantitative Strategist  
Macro & FICC Research  
[filip.carlsson@seb.se](mailto:filip.carlsson@seb.se)

**Samantha Arpas**

Sustainable Finance Specialist  
Climate & Sustainable Finance  
[samantha.arpas@seb.se](mailto:samantha.arpas@seb.se)

# Contacts at SEB

**Hans Beyer**

Chief Sustainability Officer of SEB  
[hans.beyer@seb.se](mailto:hans.beyer@seb.se)

**Åsa Knudsen Sterte**

Head Climate & Sustainable Finance  
[asa.knudsensterterte@seb.se](mailto:asa.knudsensterterte@seb.se)

**SEB Norway:****Øystein Stephansen**

Head Climate & Sustainable Finance in Norway  
[oystein.stephansen@seb.no](mailto:oystein.stephansen@seb.no)

**SEB Finland:****Anssi Kiviniemi**

Head of Sustainability in Finland  
[anssi.kiviniemi@seb.fi](mailto:anssi.kiviniemi@seb.fi)

**SEB Germany:****Alexandra Themistocli**

Head of Sustainable Banking in Germany  
[alexandra.themistocli@seb.de](mailto:alexandra.themistocli@seb.de)

**SEB UK:****Yulia Kozlova**

ESG Manager  
[yulia.kozlova@seb.co.uk](mailto:yulia.kozlova@seb.co.uk)

**SEB Climate & Sustainable Finance**

[greenbonds@seb.se](mailto:greenbonds@seb.se)

**Christopher Flensburg**

Head SEB Water  
[christopher.flensburg@seb.se](mailto:christopher.flensburg@seb.se)

**SEB Denmark:****Kirstine Lund Christiansen**

Head of Sustainable Banking in Denmark  
[kirstine.lund@seb.dk](mailto:kirstine.lund@seb.dk)

**SEB USA:****John Arne Wang**

General Manager  
[john.wang@sebny.com](mailto:john.wang@sebny.com)

**SEB Baltics:****Anders Larsson**

Head of Sustainable Banking, Baltics  
[anders.a.larsson@seb.se](mailto:anders.a.larsson@seb.se)

**SEB Asia:****Erik Halldén**

Sustainability Advisor, Asia  
[erik.hallden@seb.se](mailto:erik.hallden@seb.se)

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