Sustainable Finance Outlook

May 2026

Geopolitical disruption accelerates search for clean energy alternatives

Research reports

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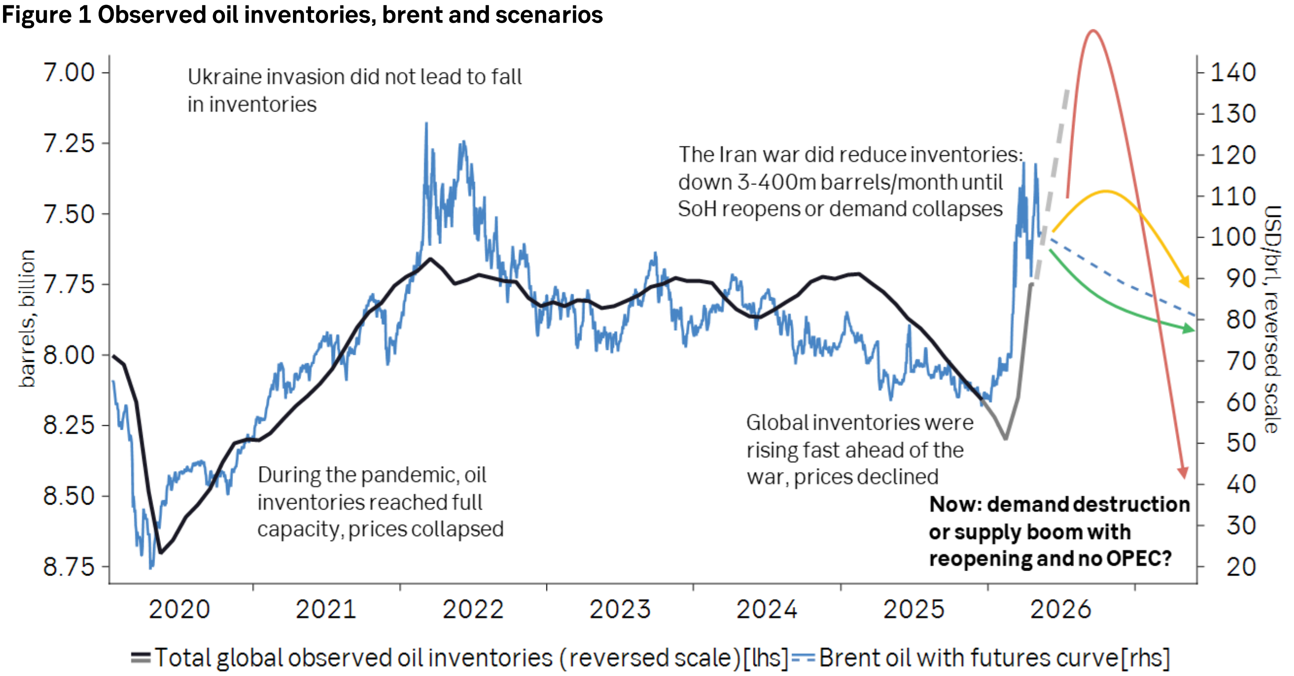
Geopolitical disruption accelerates search for clean energy alternatives

Energy transition update

Energy crisis will accelerate Europe’s push for independence

The war in the Middle East disrupted global supplies of energy and energy-intensive products. We expect that the disruption will end before physical shortages hit the economy. The long-term effect is likely to be an accelerated transition to a non-fossil energy system and an electrified transportation system.

Figure 1 Observed oil inventories, brent and scenarios



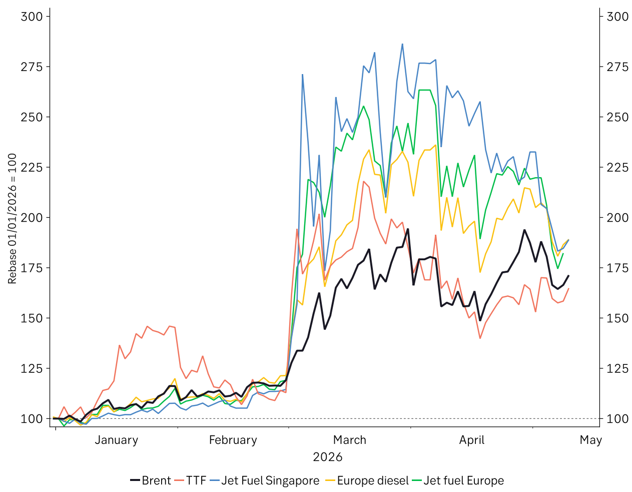
Source: Bloomberg, SEB

Energy disruption is larger than in 2022

Since the war in the Middle East began at the end of February, there has been extreme volatility in energy markets. In terms of uncertainty about how high energy prices could go, it was a much more significant shock compared to Russia’s invasion of Ukraine in 2022.

As Figure 2 shows, prices soared when the war began, with not just oil and gas but also refined product prices up 2-3x at the peak of the fighting. After the ceasefire started, prices have come down a bit as risk premiums eased, but the fundamental problem is still getting worse. Oil inventories had already been depleted when the war in Ukraine began and when the war came markets were pricing the fear of an inventory drawdown that never materialized. However, in 2026 we have seen a decline in physical inventories, that means higher oil prices are fundamentally justified by supply and demand.

Figure 2 Energy and commodity futures



Source: Bloomberg, SEB

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Even though there was relief when the bombing stopped, the energy crisis remained the same: military activities had stopped but there were still no ships sailing through the Strait of Hormuz (SoH). Thus, while the psychological risk premium declined, the underlying energy crisis continued with oil inventories declining even faster in April. By then all tankers that were underway had arrived. In fact, during April oil prices returned to pre-ceasefire levels above USD 120 per barrel as markets repriced expectations of when energy supply would return to normal.

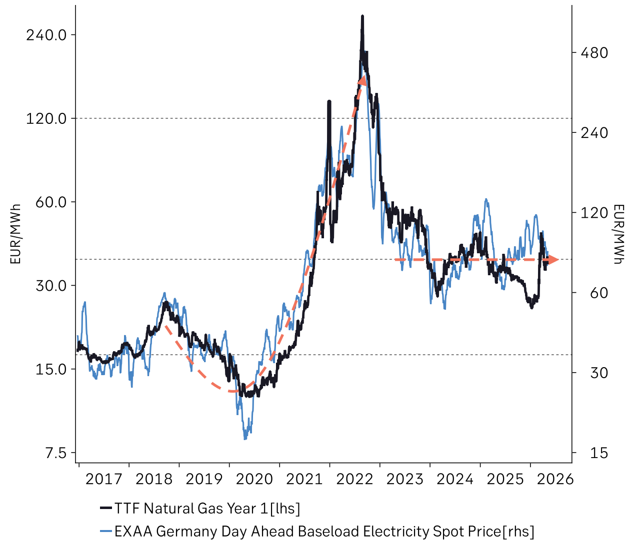
S/t implications: black swan or limited shock

Without a reopening, the global economy faces a risk scenario that is so extreme, similar to the pandemic, that it is difficult to price or imagine it happening before it does. We cannot take on a position for that scenario before it is the base case, but the probability is rising for each week where there is no traffic through the SoH.

During the past weeks discussions of a memorandum of understanding (MoU), which entails a 30-day window for negotiation while the blockade of the SoH is gradually lifted, have led to a decline in brent oil to below USD 100/brl. Taking a broader view, we are more likely to see a gradual return of oil supply, which will keep oil prices significantly higher, as the physical inventories have to be rebuilt.

If the supply of energy and other products through the SoH returns before physical shortages materialize, on the other hand, then the direct economic effects are still likely to be limited.

Figure 3 Electricity and gas prices in Europe



Source: Bloomberg, SEB

The many comparisons between the current crisis and what happened in 2022 was also that the inflation shock in 2022 had little to do with the war. That war came after several years where inflationary pressures had been building up, as the pandemic had resulted in a simultaneous decline in supply in the global economy alongside a massive boost to demand due to massive liquidity injections. In fact, by the time the war in Ukraine started the electricity price had already increased from 30 EUR/MWh to around 180 EUR/MWh. It still doubled again, but the bulk of the shock had nothing to do with war. There is no evidence of anything similar happening this time around, and while the risk of physical shortages at some point is deeply troubling, it is encouraging that Europe so far simply has not seen a significant energy shock at all.

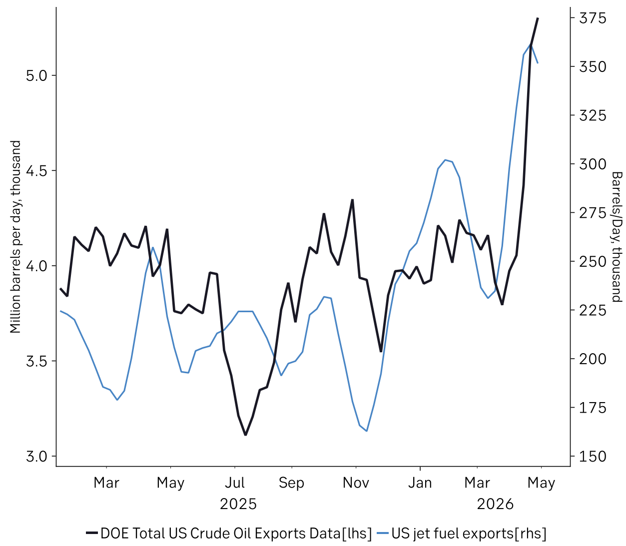
Electricity prices are currently lower than at the beginning of 2026 and the initial doubling of natural gas prices wasn't reflected in power prices (Figure 3). There is also an element of luck: just when gas prices started moving up, we had favourable conditions for producing renewable energy in Europe. Thus, the power price shock never really got transmitted to energy users – at least not yet.

L/t implications I: accelerated de-globalization

In 2026 alone, there have been plenty of geopolitical pressure points: Venezuela, Greenland and latest Iran, typically where geographical spheres intersect. These are also areas with either energy or other resources to offer for the major powers that are less constrained in their pursuit of their own interests in the global arena. This has become less costly, after the US has taken a step back from the role of being the sole global superpower.

What we are seeing in Iran is likely to accelerate some of the trends that were already underway, not least the realisation that in this new world order you have to control the vital parts of your supply chains and not be reliant on resources or technology from outside the sphere of influence that can be controlled militarily.

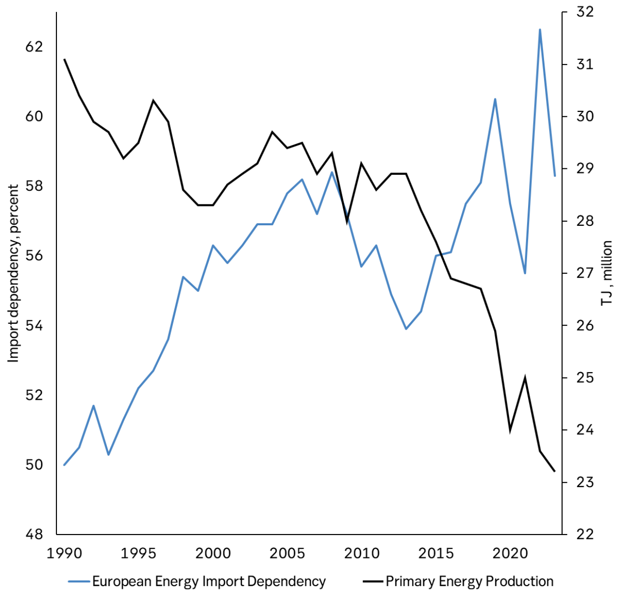
Figure 4 US jet fuel and crude oil exports



Source: Macrobond, Bloomberg, SEB

Europe is a net importer of oil, and thus in the near-term likely to be hit harder alongside Asian countries. Macro indicators reveal that there has been a hit to sentiment and credit conditions in Europe, but activity indicators remain resilient for now. There is a perception that the US will be able to withstand the negative macro implications for a few months, and right now they are benefiting from rising crude oil and jet fuel exports (Figure 4). While also being a net importer of energy, China has over the past years diversified energy supply and managed to build up a solid inventory so that they would be able to last 8-10 months.

Figure 5 EU energy import dependency



Source: Eurostat

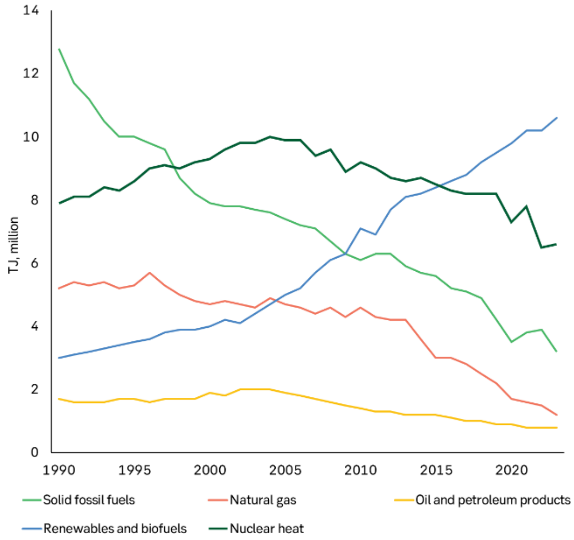
Europe is, for the second time in 5 years, realizing that it is a painful experience to be dependent on other countries energy supplies - particularly when they are not aligned on geopolitical interests as well.

The real consequence of the war in Iran will most likely be to accelerate de-globalization further because it exposes that the US no longer has the military power to guarantee that trade routes are open. That power was the key to globalization and allowed production facilities to move far away from where products were used, even locating them behind potential choke points like the SoH. Complex global supply chains break down if the access to components from other nodes is not guaranteed. The effect is likely to be that key nodes like energy will have to be within major powers' local sphere of influence.

L/t implications II: accelerated transition

The main implication for Europe from the war in the Middle East, is to further accelerate the attempts of breaking down the import dependence in our energy system (Figure 5). This feeds directly into an accelerated green energy transition along with increased investment in all other types of domestically produced energy.

Figure 6 EU domestic energy supply

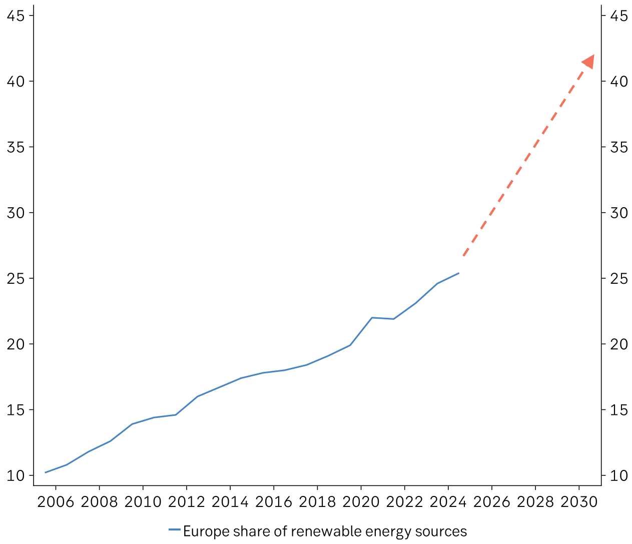


Source: Eurostat

As Figure 6 shows, the only source of energy that has been increasing over the past 20 years has been renewables. It is not clear what other source of energy that will start generating electricity for Europe in the next 3-5 years apart from renewables. Additional supply from gas or nuclear will take 5-10 years before something comes out, at least if you need new gas turbines.

However, as long as we use natural gas the logic of the push for independence also explains why it may make sense to expand gas production in the North Sea until Europe stops using natural gas. In the bigger scheme of things, solar and wind power combined with grid and battery investment is likely to be the main driver if Europe wants to reduce import dependency in this decade.

Figure 7 Europe: renewable share of energy used

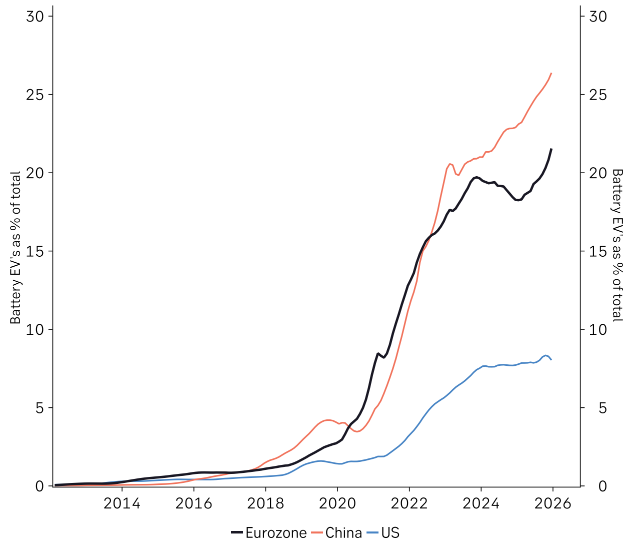


Source: EEA, SEB

According to the European Environmental Agency (EEA), already in 2024 25% of all energy consumed in the EU came from renewable energy sources (Figure 7). Normally when looking at energy supply it is related to primary energy and when using fossil energy roughly half is lost. The numbers that used to look at energy supply from renewables, typically underestimate the true share of renewable energy.

Apart from an upgrade of the energy system the other implication is an acceleration of the transportation system. The 'EV wave' has picked up speed again in Europe after a pause. The latest data from BloombergNEF show that battery EV's as a percent of total cars sold move above 20% in Q4 2025. This mirrors the upward trend in China, while the US dipped (Figure 8).

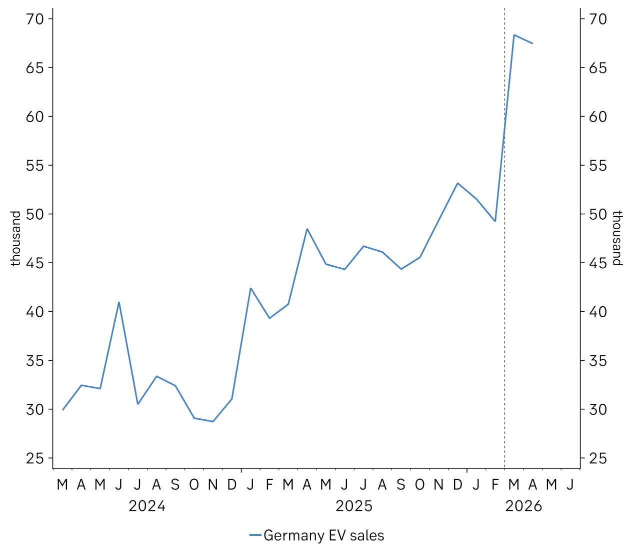
Figure 8 BEV sales, share of total



Source: BloombergNEF, Macrobond, SEB

More recent data from Germany, including March and April indicates that the latest shock to petrol and diesel prices could lead to a further boost in EV sales (Figure 9).

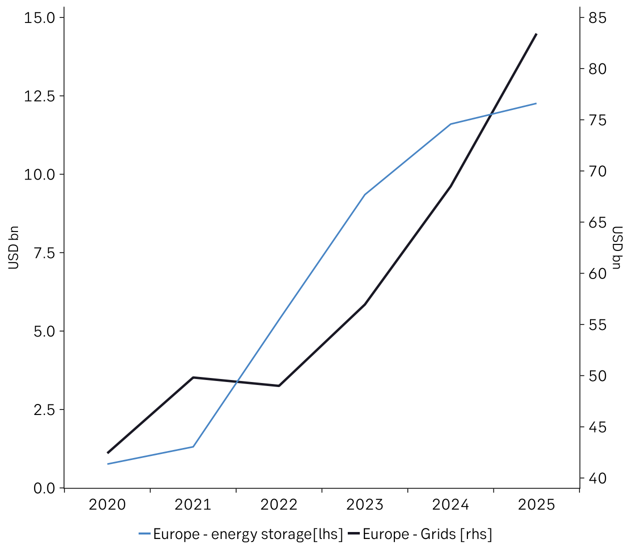
Figure 9 Germany EV sales



Source: Macrobond, SEB

From a consumer perspective, if you are driving a petrol or diesel fuelled car that has quickly become very costly. But if you own an EV, then it is not likely that you would even have registered the direct impact of higher oil prices. So, there are some advantages of at least having some independent domestically sourced energy supply that is not correlated to geopolitical developments in the rest of the world. The broader implications would be a more resilient economy. However, as we have argued in previous transition update's the energy source cannot be changed without adjusting the entire energy system. This means we will likely see a renewed surge in transition investments in the coming years and expect half-year investment data from BloombergNEF to reflect that.

Figure 10 Europe: investments in grids, energy storage



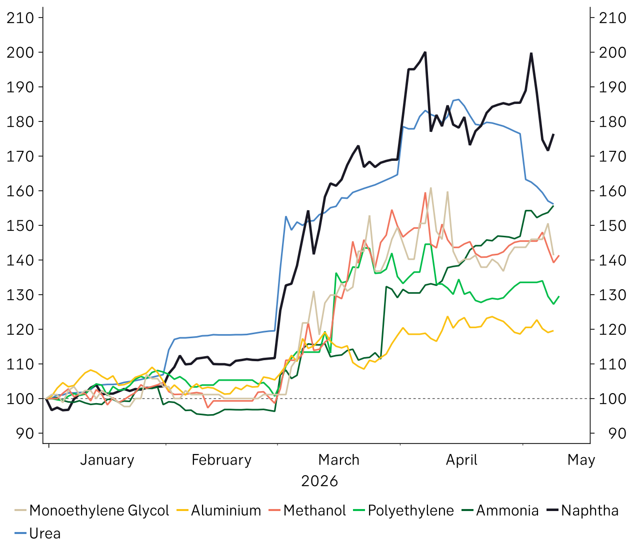
Source: BloombergNEF, SEB

Deeper issue: oil is more than energy

But it is not just about the risk of a lower oil supply for a sustained period. The energy crisis has also exposed how deeply embedded oil is in many parts of the mass production economy of the 20^{th} century. Other products like jet fuel, petrochemicals like Naphtha for plastic and Urea for fertilizer are almost impossible to produce without oil. As Figure 11 shows production inputs with high energy content more than doubled during the first part of 2026 before retracing slightly. One of the big shocks that will likely turn up with a delay is thus that higher fertilizer prices ultimately lead to higher food prices with a delay of 3-6 months, even if energy prices return to normal levels. Similarly, a lot of production inputs with a high energy content like aluminium have a heavy concentration of supply from the Persian Gulf.

We do not see any meaningful technological alternative to completing the electrification of the economy that started more than 100 years ago, including the transportation sectors, where oil-based fuels currently dominate.

Figure 11 Production inputs with high energy content

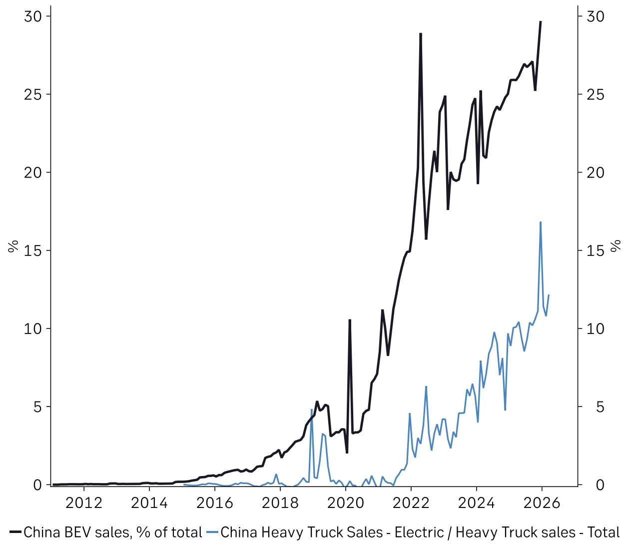


Source: Bloomberg

However, as we become less dependent on oil, there is a risk that it will become more expensive to run the refineries to extract the roughly 30% that is left in a barrel of crude oil after we have extracted extract diesel and gasoline for transportation. Some sectors can already run on electricity as direct input but there are some production processes that cannot be done profitably with electricity, like cement and steel. This is not likely to be a truly long-term problem. As electrification evolves technologically, the number of sectors that need other inputs will decline. Already now, sales of electrical heavy trucks in China are taking off on the same exponential path as we have seen for smaller vehicles (Figure 12).

At some point, even aviation and shipping may find solutions that do not involve replicating fossil fuels with electricity. There are already experimental passenger planes powered by batteries flying in China, electrified ferry's sail on short routes and several companies are competing to produce 'green steel'. However, in the coming 10 years, these technologies are unlikely to scale.

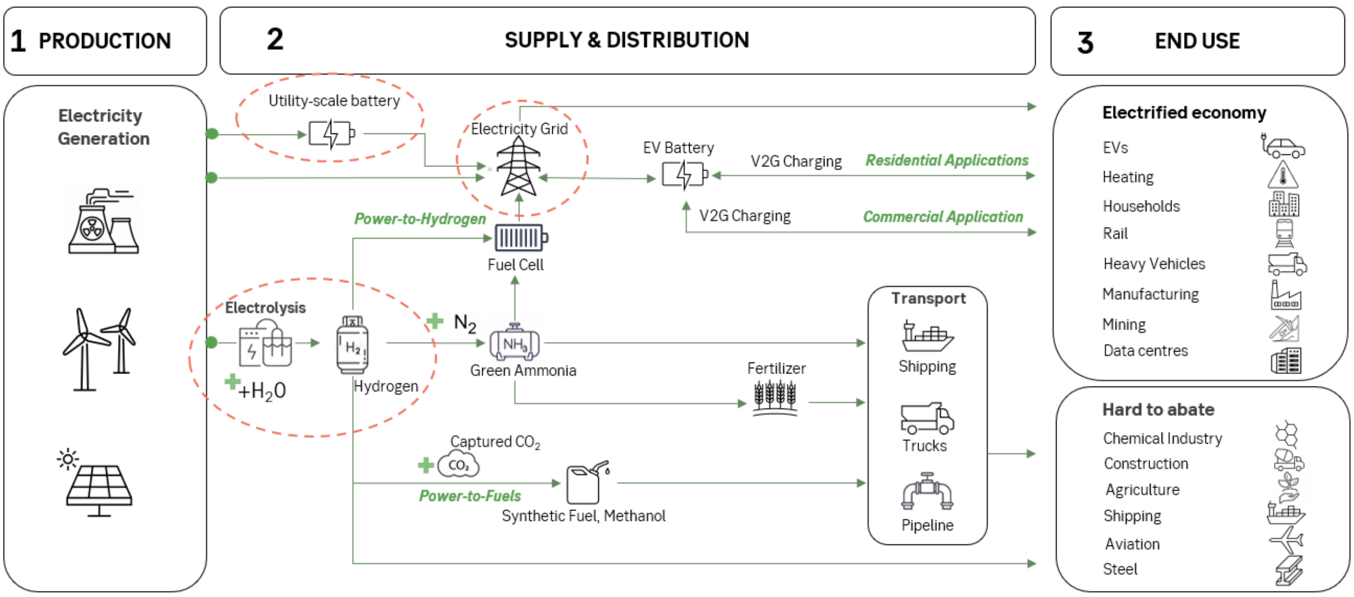
Figure 12 China EV and heavy truck EV sales



Source: Bloomberg, SEB

There are three chokepoints for the accelerated transition to succeed. Synthetic fuels as well as grids and batteries are needed on top of new energy sources, as we cannot (for the foreseeable future), replace what oil provides without synthetic fuels. In terms of end use and hard to abate sectors, it all comes down to green hydrogen, which could help alleviate some of the bottlenecks within grids and batteries (Figure 13).

Figure 13 Still some obstacles to independent, fully electrified energy system



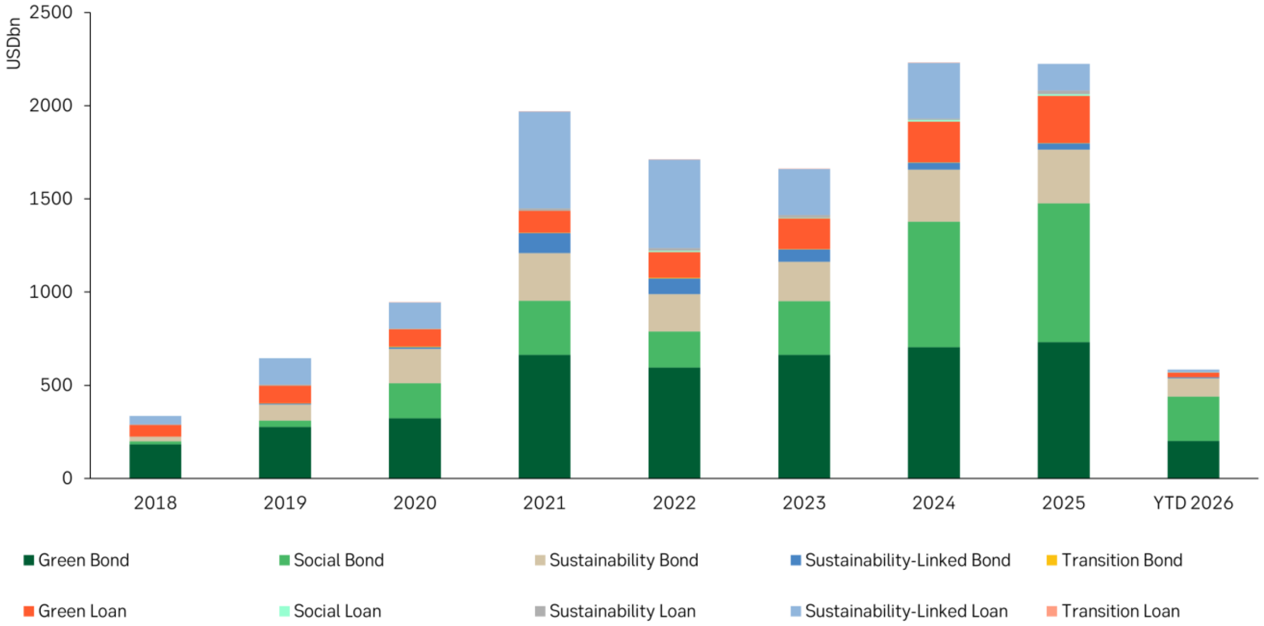
Source: SEB

Sustainable finance market update

Show me the molecules: Sustainable bond capital in oil & gas dependent sectors

Global sustainable bond issuance grew Q1 2026, with USD 503bn in issuance despite significant geopolitical headwinds. Within the chemicals, airlines, and transportation & logistics sectors, sustainable bond issuance remains below 1% of the broader market. Allocations of the bonds are concentrated in green methanol and chemical recycling.

Figure 14 Sustainable debt transactions by product



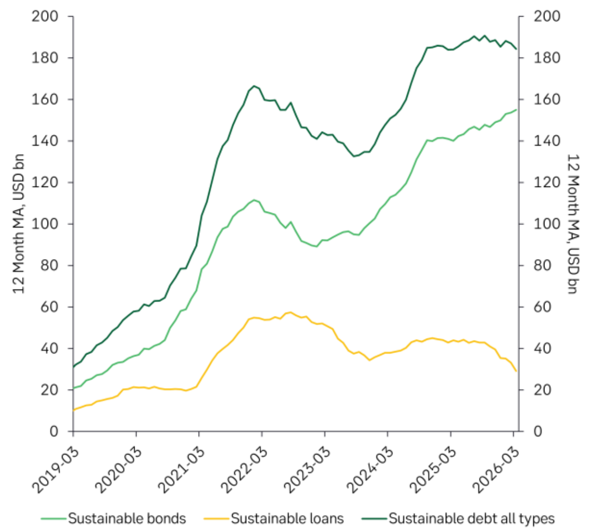
Source: BloombergNEF, SEB as of March 31, 2026

Sustainable bonds pick up speed

The global market for sustainable bonds grew 14% in the first quarter of 2026, to USD 503bn in new issuances. At the segment level, green bonds (10% YOY increase) and social bonds (25% YOY increase) have dominated issuance, making up 75% of total issuance so far this year, which is reflected in the 12-month moving average.

Sustainable finance transactions including loans reached USD 545bn in Q1, a modest 2.5% decline year-on-year (YOY) and a resilient result given geopolitical headwind, including the war in the Middle East, that have weighed on broader capital markets activity.

Figure 15 Sustainable debt transactions moving average



Source: BloombergNEF, SEB as of March 31, 2026

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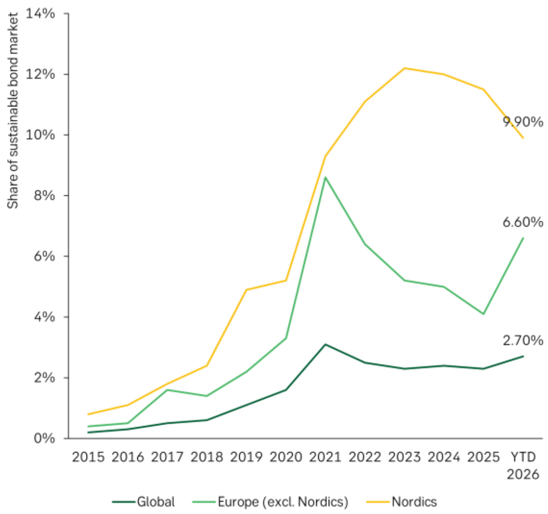
Global sustainable bond market share edged up from 2.5% at year-end 2025 to 2.7% by the end of Q1 2026. Europe saw the most notable increase, with market penetration rising to 6.6% from 4.4% at year-end, a gain of 2.2 percentage points. The Nordics moved in the opposite direction, with sustainable bond penetration declining by 2.1 percentage points so far in 2026, continuing the softness in regional issuance trends observed in 2025.

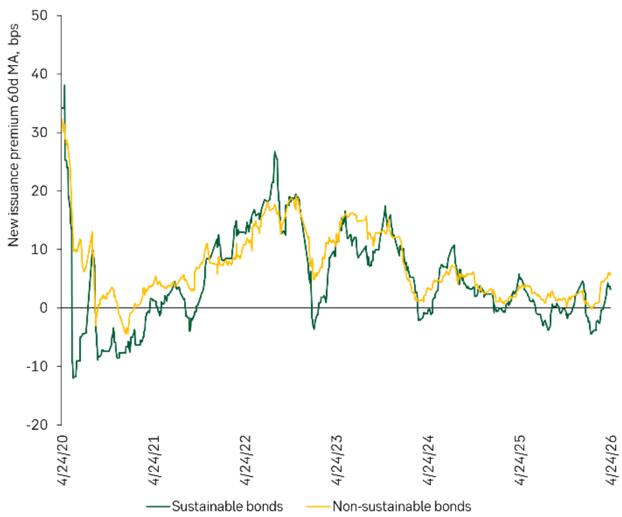
Figure 16 Sustainable bond market share



Source: BloombergNEF, SEB as of 31 March 2026

The strength in sustainable bonds to withstand current geopolitical tensions is also visible when looking at investor demand. Sustainable bonds have been able to average a lower new issuance premium compared to the broader market. investors seem to be more confident in the overall market, and the sustainable bond market compared to the last time Europe's fossil fuel supply was disrupted in 2022.

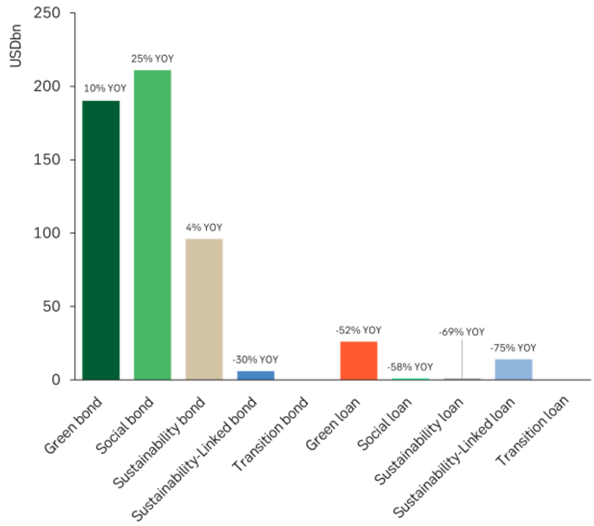
Figure 17 New issuance premiums of EUR-denominated investment grad sustainable and non-sustainable bonds



Source: BloombergNEF, SEB as of 24 April 2026

In contrast to the resilient bond market, Q1 showed significant slowdowns in the sustainable loan market where all labelled loan products saw YOY declines of at least 50%, with the largest decrease coming from sustainability-linked loans at -75% YOY.

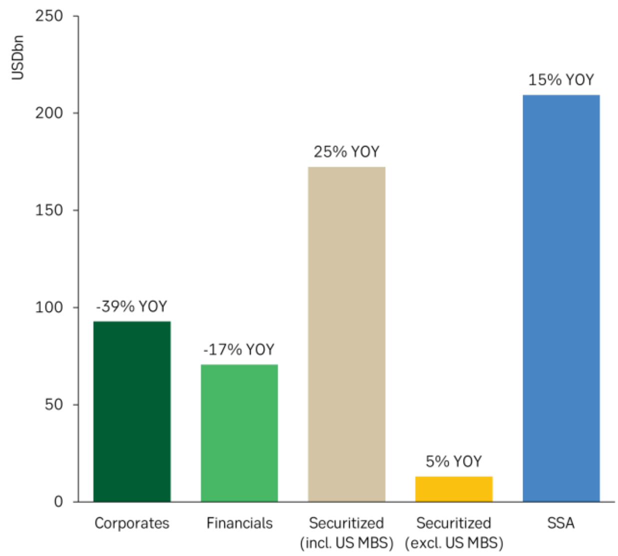
Figure 18 Sustainable debt transaction by type



Source: BloombergNEF, SEB as of March 31, 2026

SSA issuers have dominated sustainable bond issuance in Q1 2026, recording 15% year-on-year growth and accounting for the largest share of volume. Securitized debt also expanded, up 25% year-on-year when including US mortgage-backed securities (US MBS), though growth narrows to 5% when US MBS are excluded, consistent with the pattern observed in 2025 where US MBS drove an outsized share of securitized issuance. The more notable development is the sharp contraction in corporate and financial issuance, down 39% and 17% YOY respectively.

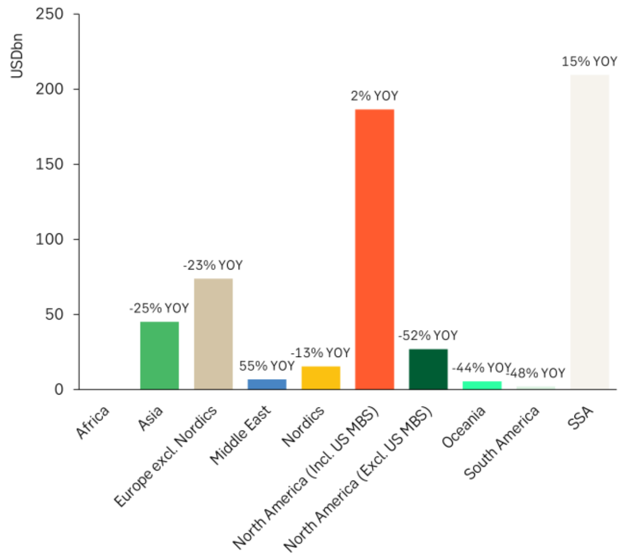
Figure 19 Sustainable debt by sector



Source: BloombergNEF, SEB as of March 31, 2026

Once again, the inclusion of US MBS materially shapes the regional picture: with US MBS, North America emerges as the second largest sustainable bond market in Q1 2026 behind SSA issuers. Remove US MBS, however, and Europe retakes second place, followed by Asia, a more representative reflection of underlying corporate and institutional sustainable finance activity. Among the major regions, SSA's and the Middle East stands out as the only markets recording meaningful growth in Q1 2026

Figure 20 Sustainable debt transaction by region



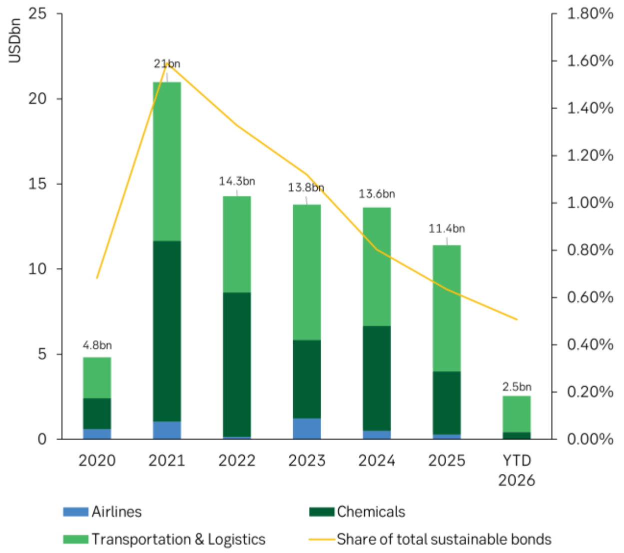
Source: BloombergNEF, SEB as of March 31, 2026

Oil & gas dependent industries and their sustainable finance activities

The ongoing conflict in the Middle East has revealed significant vulnerabilities within the supply chains oil & gas dependent industries. In light of what may become one of the most profound disruptions to global energy markets in history, it is essential to review to what extend companies have effectively leveraged available tools, such as the sustainable bond market and venture capital, to invest in alternative fuels and feedstocks that could mitigate their exposure to such risks.

Our analysis looks at the chemical industry as well as transportation & logistics. The latter includes issuance from the following sub industries: air freight, courier services, marine shipping, rail freight, trucking, logistics services, transit services, logistic services and transport operations & services.

Figure 21 Sustainable bond issuance amount by industry

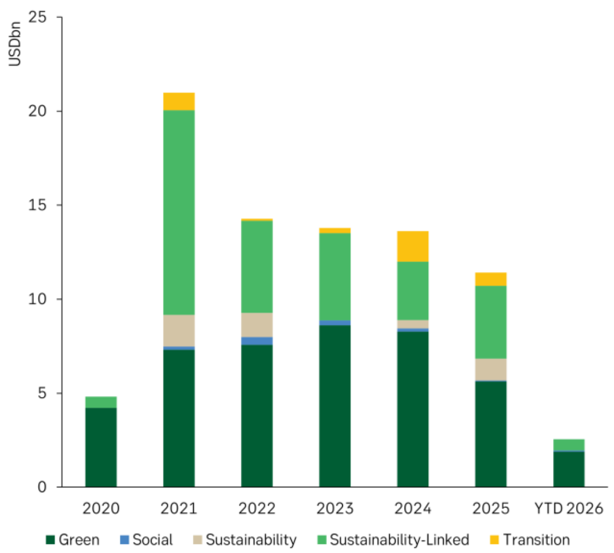


Source: BloombergNEF, SEB as of March 31, 2026

Sustainable bond issuance from the chemicals, airlines, and transportation and logistics sectors peaked at USD 21bn in 2021. Since then, volumes have moderated, with issuance split predominantly between the chemicals and transportation and logistics sectors, while airlines have remained a marginal contributor throughout.

Collectively, the three sectors account for less than 1% of total sustainable bond market issuance on average, a share on a declining trajectory since the 2021 peak, a trend that likely reflects the structural difficulty these oil & gas dependent industries face in sourcing credible green projects at scale and reasonable costs.

Figure 22 Sustainable bond issuance in chemical, aviation, transportation & logistics sectors by bond type



Source: BloombergNEF, SEB as of March 31, 2026

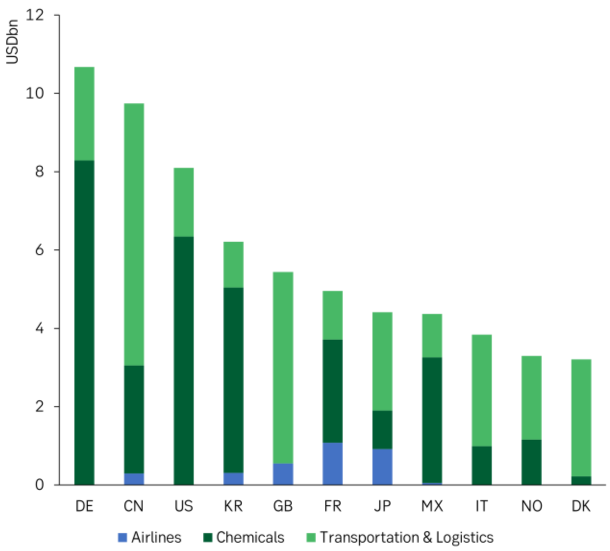
Green bonds have remained the dominant instrument throughout the period, providing a stable foundation of issuance across the chemicals, airlines, and transportation & logistics sectors.

However, the most notable shift has been in sustainability-linked bonds, which surged in 2021 before declining in subsequent years, a pattern that is consistent with the broad market-wide cooling of the sustainability-linked format amid growing scrutiny over target ambition and additionality. Sustainability-linked bonds were issued predominantly by the transportation & logistics and chemicals sector, together accounting for 31% of total issuance across the 2020-YTD 2026 period.

Transition bonds represent a small but increasingly visible share of total issuance, with Japan standing out as the only country to have issued transition bonds every year since 2021 (excl. 2026), reflecting the country's broader commitment to transition finance as a tool for decarbonising hard-to-abate industries.[1]

Looking at the geographic spread to sustainable bond issuance by chemical, airlines and transportation sectors, Germany leads issuance volumes with nearly USD 11bn, driven almost entirely by the chemicals sector, while China follows closely at just under USD 10bn with issuance concentrated in transportation & logistics. The US and South Korea rank third and fourth respectively, both led by chemicals.

Figure 23 Sustainable bond issuance in chemical, aviation, transportation & logistics sectors by country



Source: BloombergNEF, SEB as of March 31, 2026

Allocations to green molecules

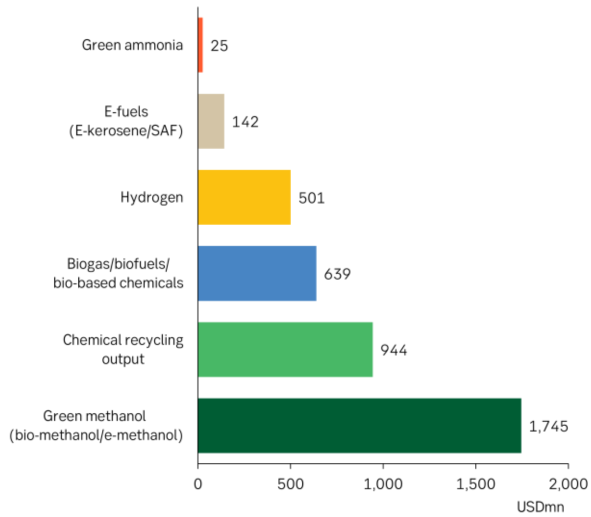
As the energy transition accelerates and geopolitical risk shift, the chemicals, airlines, and transportation and logistics sectors face mounting pressure to reduce their dependence on fossil fuels and future-proof their operations against structural shifts in energy markets.

A key part of this transition lies in identifying and scaling alternatives to conventional oil & gas-derived fuels and feedstocks. Green molecules encompass low- and zero-carbon energy carriers and chemical feedstocks produced from renewable sources, including green hydrogen, green ammonia, green methanol, sustainable aviation fuel, and bio-based chemicals.[2]

Between 2020 and YTD 2026, 387 sustainable bonds were issued across the chemicals, airlines, transportation and logistics sectors. However, granular use-of-proceeds data is limited: Only 50 bonds (13%) published single-instrument allocation reports with sufficient detail to identify project-level allocations.

Of these, 17 bonds disclosed proceeds directed toward green molecules, representing approximately USD 4bn of green molecule related capital spanning 2020-2024. The analysis that follows is based on those 17 bonds. As only issuers that voluntarily published detailed bond-level allocation reports are captured, the findings reflect disclosed best practice.

Figure 24 Sustainable bond allocations into green molecules 2020-2024 (based on 17 bonds)



Source: BloombergNEF, SEB as of March 31, 2026

Across the 17 bonds analysed, USD 4bn was allocated to green molecule projects, spanning six categories. green methanol, including both bio-methanol and e-methanol,

[1] "Basic Guidelines on Climate Transition Finance" Announced | Press Release | Ministry of the Environment, Government of Japan

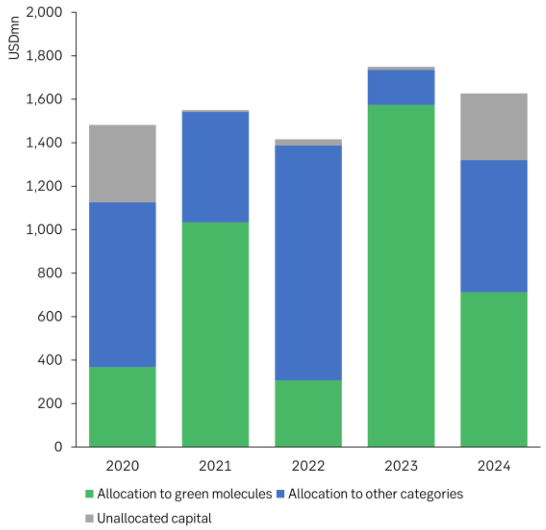
[2] Why batteries and green molecules are the final pieces in the decarbonization puzzle | World Economic Forum

attracted the largest share at USD 1.7bn, representing nearly half of total green molecule allocations. This reflects the significant capital deployed by Mærsk in financing its fleet of dual-fuel methanol-capable vessels.

The volume of sustainable bond proceeds allocated into chemical recycling output came second at USD 944mn, covering technologies such as pyrolysis oil processing, recycled methanol production, and r-PET chemical recycling which are processes that convert plastic waste into usable feedstocks, reducing reliance on virgin fossil-derived inputs.

Allocations from the sample were the largest from bonds issued in 2023 where 3 bonds collectively allocated ~USD 1.6bn into green molecules. Bonds issued in 2022 appear to have the lowest volume of allocations into green molecules, however of the total volume issued for those bonds (USD 1.4bn) in that year, 98% of the capital has been allocated and 22% of the allocated capital has gone into green molecules.

Figure 25 Sustainable bond allocations into green molecules by issuance year



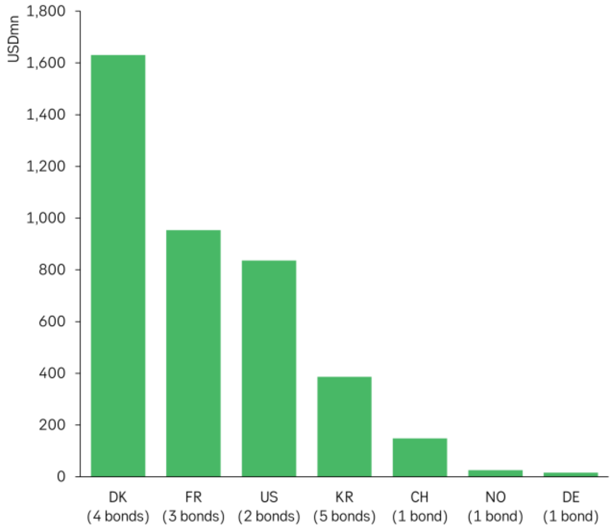
Source: BloombergNEF, SEB as of March 31, 2026

Denmark accounts for the largest country-level green molecule allocation in the sample, with all four bonds issued by Mærsk and directed toward methanol dual-fuel container vessels. These vessels are designed to operate on conventional fuel but are technically capable of running on green methanol, meaning the allocations are best characterised as enabling infrastructure rather than a guaranteed commitment to green fuel consumption from day one.

That said, there is meaningful evidence of real-world green methanol deployment: Mærsk has an offtake agreement for e-methanol from the Kassø e-methanol facility by European Energy, which is producing the e-methanol using biogenic CO_2 from biogas and waste incineration combined with renewable electricity and has used this fuel in their vessel 'Laura Mærsk' in 2025.

Mærsk has also investigated fuel blends consisting of 10% ethanol and 90% methanol to have flexibility in terms of abatement approaches for their customers. It is not confirmed whether all of their dual fuel vessels will operate on the e-methanol right away.[3]

Figure 26 Allocation into green molecules by country

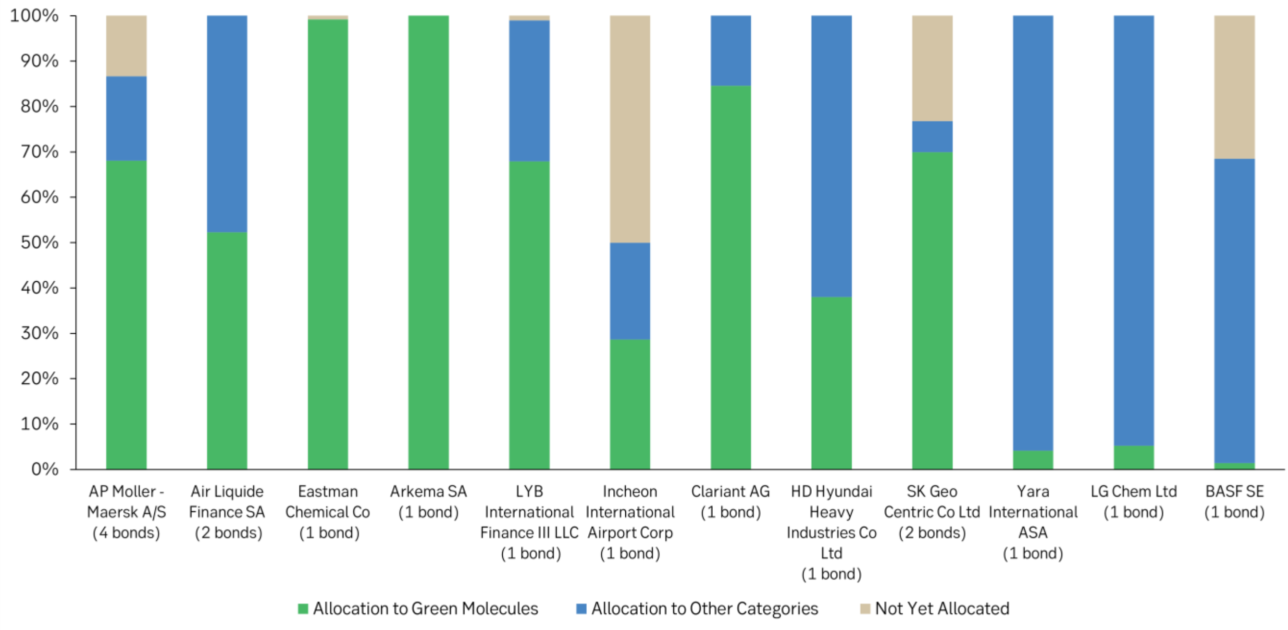


Source: BloombergNEF, SEB as of March 31, 2026

The second highest volume of allocations into green molecules comes from France at ~USD 1bn with 3 bonds issued by companies in the chemical sector where allocations are focused on projects related to hydrogen and biogas, reflecting the sector's focus on decarbonising industrial gas supply chains.

[3] Decarbonising Ocean Shipping | Sustainability & ESG | Maersk

Figure 27 Allocations of sustainable bonds in chemical, aviation, transportation & logistics sectors by issuer



Source: BloombergNEF, SEB as of March 31, 2026

Enabler or producer: the divide at the heart of green molecule allocations

Allocation profiles vary considerably across issuers in both scale and substance. Mærsk accounts for the highest absolute green molecule allocation, though as discussed, these proceeds finance dual-fuel capable vessels rather than guaranteed green methanol consumption, placing them in the category of enabling infrastructure. The same applies to HD Hyundai Heavy Industries and Incheon International Airport, where allocations finance methanol-capable shipbuilding and hydrogen charging stations respectively, with no confirmed green fuel offtake or verified green hydrogen source.

Among chemicals issuers, Air Liquide directs a meaningful share toward hydrogen and biogas, though allocation quality varies by geography: European-issued bonds explicitly reference electrolysis-based green hydrogen using renewable electricity, while bonds issued outside Europe are notably less specific, a material distinction given the EU Taxonomy's precise production pathway requirements.

Issuers allocating to chemical recycling, including Eastman, LyondellBasell, BASF, and SK Geo Centric, vary significantly in technology maturity, with SK Geo Centric's equity investment into a US r-PET recycler to secure know-how representing one of the more indirect uses of proceeds in the sample.

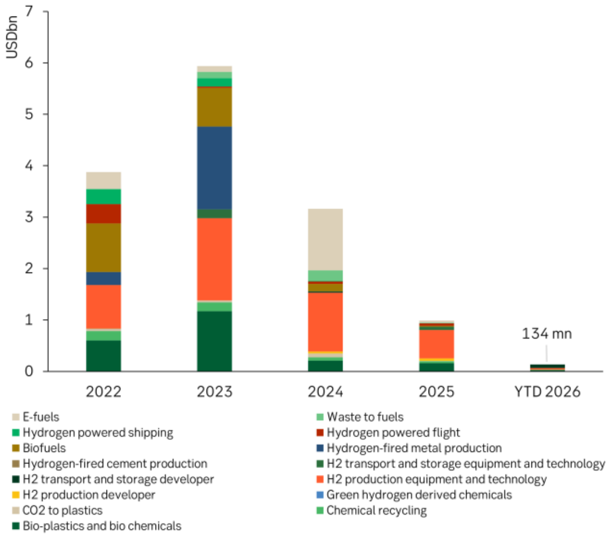
No airline sector bonds could be identified with green molecule allocations, with most airline and airport proceeds directed toward green building and terminal development. While legitimate, this reflects a sector yet to direct labelled bond capital toward the fuel transition, the most material decarbonisation lever available to aviation.

Hydrogen dominates green molecule venture capital investments

Venture capital activity provides insights into future market trends and technological advancements. While bond markets demonstrate current capital allocation by established corporations, venture capital highlights the concentration of early-stage innovation and identifies green molecule technologies that are most likely to achieve commercial viability in the near future. For industries at the initial stages of their fuel and feedstock transition, monitoring venture capital investments serves as a valuable indicator of where forthcoming credible green projects may originate.

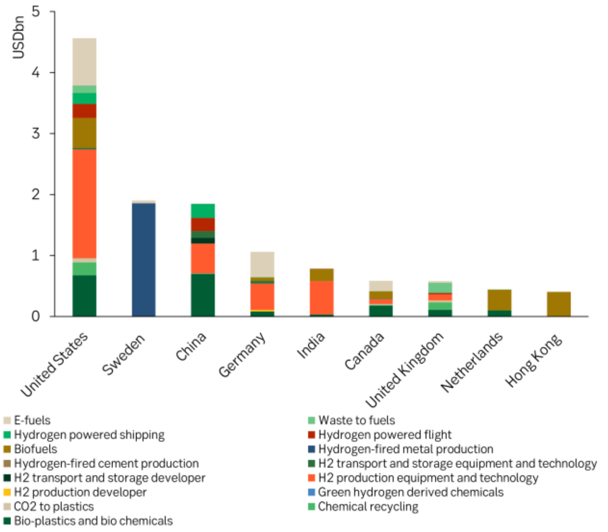
Venture capital investment in green molecule technologies peaked in 2023 at approximately USD 6bn, driven predominantly by hydrogen production equipment and technology (with total investment of USD 4.2bn over the entire period). This likely reflected the wave of investor interest that followed Russia's invasion of Ukraine in 2022, which disrupted global oil & gas supply and accelerated the search for alternative fuels and energy sources where hydrogen emerged as the primary focus of VC investment deployment in the years immediately following

Figure 28 VC investments



Source: BloombergNEF, SEB as of March 31, 2026

Figure 29 VC investments by country



Source: BloombergNEF, SEB as of March 31, 2026

The 2023 peak was further shaped by a notable concentration in hydrogen-fired metal production, which attracted USD 1.6bn into Stegra, the Swedish green steel company formerly known as H2 Green Steel. This explains Sweden's prominence in the country breakdown in

Figure 29.

Investment has since contracted sharply, falling to just over USD 3bn in 2024 and approximately USD 1bn in 2025. The pullback likely reflects a combination of rising capital costs and slower-than-expected green hydrogen demand materialisation.

E-fuels, biofuels, and chemical recycling feature as smaller but consistent categories across the period. Investment beyond hydrogen has been small but consistent, suggesting that investor interest in alternative green molecule pathways has not disappeared, even as hydrogen has dominated headline figures.

The United States leads venture capital investment in green molecules by a considerable margin at nearly USD 4.7bn, reflecting the depth and scale of its early-stage capital markets and a broadly diversified investment profile spanning hydrogen production, e-fuels, biofuels, and bio-based chemicals.

Sweden ranks second at approximately USD 1.9bn, driven almost entirely by the Stegra investment in hydrogen-fired metal production.

In April 2026, Stegra received EUR 1.4bn in new financing led by Wallenberg Investments which will provide Stegra with a fully funded path to complete the construction and commissioning of its green steel plant in Boden, Sweden, which will produce green hydrogen for zero-emission steel manufacturing.[4]

China follows at USD 1.7bn with activity concentrated in hydrogen production and bio-based chemicals. Investment across the remaining countries is modest and broadly spread.

The transition is underway—but not fast enough

Overall, despite growing sustainable bond issuance volumes, our analysis suggests that the share of proceeds being directed toward green molecules across the chemicals, airlines, and transportation and logistics sectors remains small and concentrated among a handful of pioneering issuers.

Allocation analysis reveals a market still in the early stages of financing the fuel and feedstock transition. Venture capital trends tell a similar story, investment peaked in 2023 on the back of hydrogen enthusiasm and has since contracted sharply, suggesting that early-stage capital is recalibrating as the commercial challenges of green molecule scaling become clearer.

Taken together, the bond and venture capital data point to a transition that is directionally underway but moving at a pace and scale that remains insufficient relative to the decarbonisation challenge facing these sectors and

[4] Stegra has agreed in principle on a €1.4 billion financing round - Stegra

immediate disruptions in oil & gas that these sectors are currently experiencing.

Closing this gap requires two things: a broader coalition of issuers committing capital directly to green molecule production and consumption, and sustained cost reductions across supply chains to make large-scale project financing viable. The catalyst may already be at hand — conflict in the Middle East and the resulting energy disruptions could prove to be the shock that forces the issue. But acceleration alone is not enough. A meaningful transition demands that environmental externalities are properly priced and that society reaches a clearer consensus on how much it values security. A meaningful transition demands that environmental externalities are properly priced and that society reaches a clearer consensus on how much it values security. Projects should be tightly scoped: decentralized, aligned with local demand, built to leverage existing infrastructure, and designed with the failures of overambitious predecessors firmly in mind.

Regulatory update

European policy makers response to the global energy crisis

The new war in the Middle East is sparking policy action to cut energy import dependency and enhance affordability. With AccelerateEU, the Commission is taking actions to manage short-terms supply risk, whilst renewing its push for electrification and alternative fuels.

National policies

The US-Israel war on Iran has once again exposed the fragility of Europe's dependence on imported fossil fuels and energy affordability. Of Europe's total energy consumption, imported fossil fuels make for 57%.[5] The price increase of global oil & gas prices affects consumers, industries and society— prompting political action on national and EU levels.

In Italy, a revision of the energy transition has taken place as the country's previously set deadline of a phase out for thermal coal was pushed from 2025 until 2038. Energy minister Gilberto Pichetto Fratin argues that the delay is necessary to avoid blackouts and allow time for new gas capacity and storage projects to fill the gap, although clear signs of a 'return to coal' scenario are missing.

Discussions about keeping coal plants online are also ongoing in Germany where in April, Merz stated that the 'country's energy supply should not be jeopardized due to phase out dates decided years ago'. In summary, the discussions are about keeping existing coal plants online rather than reopening new ones, as a safety measure and hedging strategy in the context of geopolitical uncertainties. [6]

European governments have in total committed more than EUR 11bn[7] in fiscal measures to cushion the impacts on energy bills caused by the energy crisis. The majority of national policies are untargeted measures such as lowering general energy excise duty or VAT. The Netherlands stands out in using fiscal policies aligned with domestic energy security and clean energy goals such as National Heat fund support, Energy Fixers Programme and support for poorly insulated homes.

AccelerateEU

On 22 April 2026, the European Commission published its **AccelerateEU Communication**. The package serves as the Union's strategic response to the severe energy-price volatility triggered by the ongoing conflict and presents a "toolbox" of targeted measures to address the recent spikes in the prices of imported fossil fuels.

While the immediate focus is on emergency coordination, the package reinforces the **"crisis as a catalyst"** narrative given by Commission Von der Leyen, aiming to decouple European competitiveness from fossil-fuel imports through accelerated electrification and domestic clean energy deployment. [8] AccelerateEU consists of 5 pillars;

- Closer EU coordination
- Protecting consumers and businesses
- More homegrown clean energy
- Strengthening the energy system
- Boosting investments.

In comparison to the REPowerEU, launched in May 2022 as the immediate response to Russia's invasion of Ukraine, AccelerateEU widens the focus from the gas market and severing dependency on Russian gas to the broader objective of electrification. Both share the core principle that climate policy is security policy, emphasizing energy independence, the acceleration of renewables and financial mobilization.

REPowerEU has proven success in reducing dependence on gas imports from Russia, with the target of zero dependence on Russian gas imports by 2027 being on track. Between 2022 to 2025, the EU has reduced the share of Russian gas imports from 45% to 12% by diversifying imports – particularly in favor of the US.[9]

However, RePowerEU's failed to scale domestic production of biomethane and renewable hydrogen, the key feedstocks of clean alternatives to refined oil products. As

[5] Energy in Europe: imports dependency - News articles - Eurostat

[6] Europe eyes coal as Iran war strains energy security - OPIS, A Dow Jones Company

[7] 2026 European energy crisis fiscal response tracker

[8] AccelerateEU – Energy Union - affordable and secure energy through accelerated action - Energy

[9] REPowerEU - 4 years on

a result, Europe remains exposed at a time when fossil fuel supply chains are being disrupted by the closure of the Strait of Hormuz.

Key actions of the AccelerateEU

The Commission's package includes immediate actions to support the five pillars mentioned above, a selection of which are presented here:

Management and diversification of fossil fuel supply: To address the current energy crisis, the Commission will coordinate of national gas storage and oil stock releases through while allowing Member States flexibility in storage filling thresholds (up to 10%), including a potential increase in permitted deviation under updated regulations. This effort is strengthened by international outreach via the EU Energy and Raw Materials Platform to improve market transparency and a push for increased third-country supply through trade agreements. The Commission also focuses on collective management of existing resources via joint purchasing, to leverage the EU's collective bargaining power.

Meeting kerosene supply risks: The Commission is mapping domestic refining capacities to maximize oil and biofuel production, and establishing a Fuel Observatory to monitor stocks while initiating a revision of the Oil Stocks Directive. As an initial priority, the Commission will coordinate with Member States, fuel suppliers and the aviation sector on the sourcing of alternative jet fuel supply and will propose measures to optimise its distribution among Member States to ensure availability across all regions and airports

Actions on alternative fuels: Looking toward Q2 2026, the Commission will propose a targeted review of renewable hydrogen production criteria and clarify methodologies for synthetic sustainable aviation and maritime fuels (e-SAF and e-SMF) to support industrial decarbonization, complemented by a public consultation on recognizing low-carbon nuclear electricity. The Commission is also going ahead with its support of the Early Movers Coalition announced EUR 2bn double-sided auction of e-SAF planned for 2026. Furthermore, the Commission will accelerate biomethane production through on-farm projects and permitting reforms, map bio-based alternatives for energy-intensive feedstocks like fertilizers and plastics, and work with co-legislators to finalize the grids package by summer to expedite the roll-out of renewables and large-scale battery storage.

Actions on hydrogen and electrification: Beyond these specific measures, the broader AccelerateEU framework also includes actions to fast-track the implementation of the Energy Highways Initiative, where hydrogen corridors are recognized as a substantial part in the backbone of the European Energy System. Together with the actions related to the European Grids package the goal is for energy to flow efficiently through all member states and connect production hubs to industrial centers. . The communication includes the introduction of a State Aid Temporary Framework to provide emergency liquidity to energy-intensive industries, and set an electrification target designed to shift heating and industrial processes away from gas toward "homegrown" electricity.[10]

EU reinforces the stability and predictability of its carbon market

On April 1st the Commission announced the first concrete measure to reinforce the European Union Emissions Trading System (EU ETS), proposing an amendment to the Market Stability Reserve Decision. The proposed amendment will stop the current invalidation mechanism, where all allowances in the reserve above 400 million are invalidated. Instead, the Commission proposed using these allowances as a buffer and a measure to handle sudden price spikes, ensuring that the system remains robust and predictable but modernized and more agile.

The Commission is expected to publish a second, more comprehensive proposal of the future of the EU ETS in July. This proposal will likely include changes to the linear reduction factor and allocations of free allowances to hard-to-abate industries. Key objectives of this planned revision is to ensure that the EU ETS continues its success in reducing fossil fuel consumption and emissions in the EU, whilst strengthening European competitiveness and preventing carbon leakage.

Proposed energy-related changes to the Taxonomy

In February 2025, the Omnibus package introduced changes to the EU Taxonomy, following the Commission conducting a broader review of all technical screening criteria. The Omnibus aimed at making the framework easier to use, boosting adaptation while improving access to green finance in the EU and enhancing market transparency through clearer disclosures. Following the review, the Commission on March 17 2026 published draft revisions expected to be adopted by the Commission in June 2026 after reviewing feedback based on the proposal. Based on the Commission's proposed amendments to the EU Taxonomy, the following represent the most relevant developments from an energy

[10] AccelerateEU – Energy Union - affordable and secure energy through accelerated action - Energy

perspective, including both proposed changes and elements that remain unchanged.

GHG thresholds for energy

The draft revisions published by the Commission confirms no updates of GHG thresholds for Substantial Contribution (SC) and Do No Significant Harm (DNSH). The debated 100g CO2e/kWh for electricity generation is not being revised. While tighter GHG emission thresholds could in theory support climate objectives, it is likely that such changes have been deprioritised in favor of maintaining a predictable and stable regulatory framework. This appears closely linked to the energy sector's substantial investment needs, which are supported by long-term regulatory certainty Moreover, without sufficiently developed impact assessments, there is a continued risk of unintended effects across sectors, likely making further regulatory tightening less viable at this stage.

LCA

Furthermore, no systematic insertion of Life Cycle Assessment (LCA) requirements to the technical screening criteria are made. The additional burden and costs likely to be entailed with implementation would contradict the objectives of simplification and usability in the review.

Bioenergy

The proposal includes a revision of bioenergy-related activities in order to align the Taxonomy Technical Screening Criteria (TSCs) with the Renewable Energy Directive (RED III). The harmonization is being called for by stakeholders, pointing out that TSCs should be consistent with sector-specific EU regulation and that current misalignment creates additional compliance burdens. However, there is concern that such harmonization could potentially have a big impact on the bioenergy sector's ability to be Taxonomy aligned.

Dual-track response to meet short-and long term energy policy objectives

The geopolitical volatility of the US-Iran conflict has forced a dual-track policy response in Europe, where immediate affordability support meets actions for accelerated long-term transition. While some Member States like Italy and Germany are reviewing the speed of phase-out to ensure grid stability, the EU's **AccelerateEU** framework seeks to transform this crisis into a structural catalyst for energy sovereignty.

By combining emergency market coordination and consumer protection with a renewed push for electrification and sustainable fuels, the Commission aims to decouple European competitiveness from fossil fuel imports. A modernized EU ETS and a simplified Taxonomy framework could help provide the regulatory stability and financial transparency necessary to redirect capital toward a self-sufficient, homegrown energy future.

Impact of EU ETS and SAF on European Aviation

Effects of carbon-included fuel costs on airline financials

ETS and SAF mandates are reshaping the economics of European aviation. Higher carbon and fuel costs will pressure margins. Mitigation will rely on pass-through to customers, fleet network optimisation, policy certainty, and improved access to competitively priced SAF and carbon removals.

Aviation reaches limits of incremental efficiency

The aviation sector has long been regarded as one of the hardest-to-abate segments of the global economy. Aviation accounts for around 5 % of European CO_2 emissions, but its share is expected to rise as demand for air travel grows faster than efficiency gains. Historically, decarbonization efforts relied primarily on incremental improvements— more efficient aircraft, better air traffic management, and limited operational measures. These alone are insufficient to meet climate targets compatible with net-zero pathways, prompting a structural pivot by policy makers toward fuel decarbonization, policy intervention, and market-based instruments.

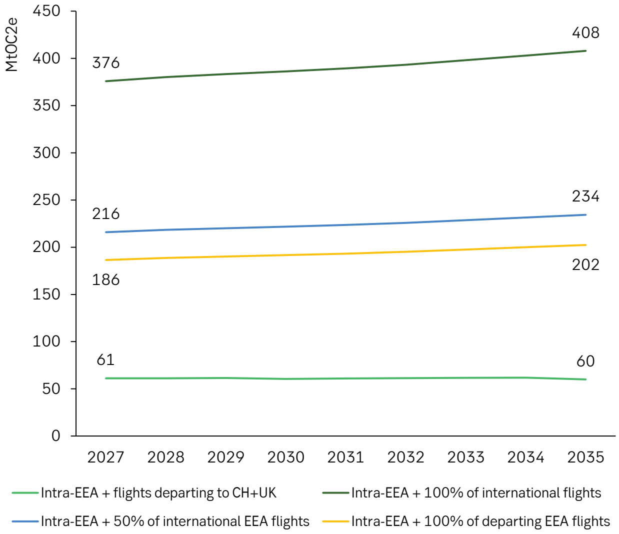
Emission trading and SAF mandates turn decarbonization from voluntary to mandatory

Carbon pricing and regulatory mandates are now driving material acceleration in decarbonization efforts by the aviation industry. Inclusion of aviation in emissions trading systems (most notably the EU ETS and the UK ETS), alongside ICAO's CORSIA framework for international flights, is forcing the internalization of carbon costs. At the same time, fuel-blending mandates —such as the EU's ReFuelEU Aviation regulation or the UK's SAF mandate — are creating guaranteed demand for sustainable aviation fuel (SAF). These policies shift decarbonization from a voluntary, reputational lever toward a compliance-driven input factor, fundamentally altering airline procurement strategies, route network strategies and investment signals across the value chain.

European airline's exposure to carbon pricing set to increase

As of this year, the aviation sector no longer receives free allocations under the EU ETS. Airlines are now required to cover all their emissions for flights within the EEA and Switzerland, as well as to the UK through allowances from either the dedicate aviation cap or the regular ETS market. Flights departing from the UK and arriving in the EEA are covered under the UK ETS. European airlines exposure to carbon pricing is expected to increase in the future due to a) growing passenger demand failing to offset any emissions reductions through greater operational efficiencies and newer planes, and b) potential expansion of the EU ETS to also cover international flights if CORSIA is found to be ineffective from 2027. The latter is being reviewed as part of the European Commission's proposal for the future of the EU ETS expected for July. If the scope is expanded to all outgoing and incoming EEA international flights, coverage of aviation emission would increase seven-fold compared to current regulations.

Figure 30 Future scenarios of EU ETS coverage of aviation



Source: BloombergNEF, SEB

War puts spotlight on the potential strategic value of SAF

The current war in the Middle East is showing — once again — how vulnerable fossil fuel importers are to geopolitical tensions. The European airlines sector is one of the most

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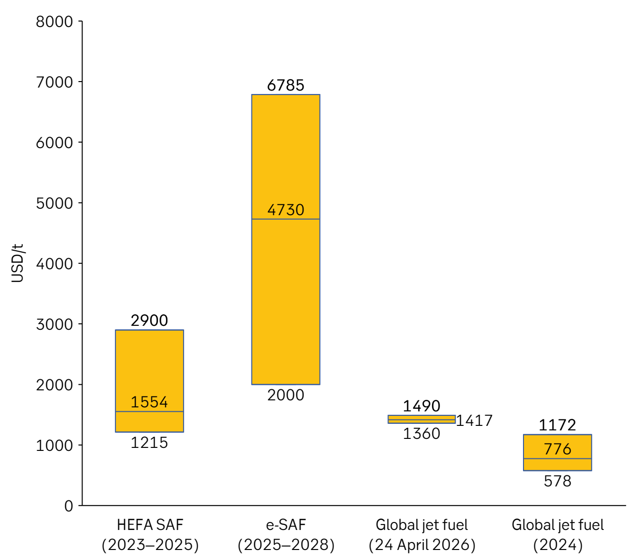
exposed to the sudden disruption of the flow of oil from the Strait of Hormuz. Europe produces only around 65-70 percent of its jet fuel consumption, doing so mostly using imported crude oil from the Gulf region. Kerosene prices in Europe have almost doubled this year from USD 798/t in early January to USD 1478/t at the end of April. This raises the question if domestic SAF production could not just lower the European aviation sectors long-term EU ETS compliance costs, but also its immediate need to close the supply gap left by war against Iran.

SAF pathways and premiums

SAF encompasses several technological pathways, each with distinct maturity and cost profiles. The most established route is HEFA (Hydroprocessed Esters and Fatty Acids), which converts lipid-based feedstocks—such as used cooking oil—into jet fuel via hydrogen processing. HEFA is the cheapest way to make SAF but is still more expensive than conventional jet fuel – although the gap has been closing due to the war. Alcohol-to-Jet (AtJ) and Methanol-to-Jet (MtJ) convert alcohol or methanol derived from biomass (like sugar crops or forestry residuals) or waste gases from e.g. municipal waste into jet fuel. While more scalable than HEFA in theory, AtJ and MtJ remain economically challenged and dependent on low-cost, sustainable feedstock supply.

Figure 31 Global SAF prices, compared to fossil jet fuel



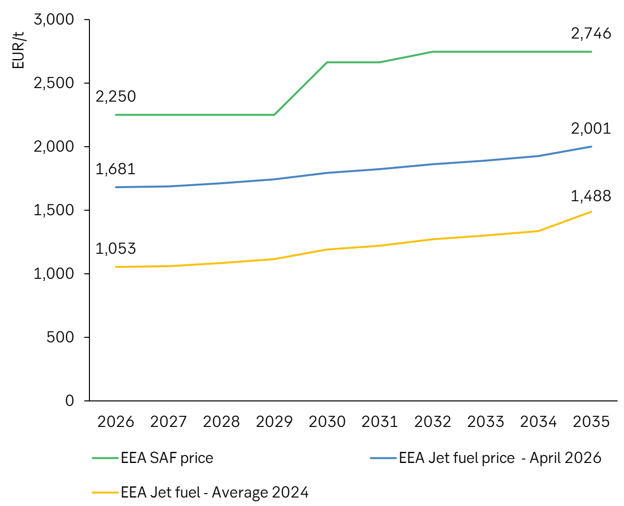
Source: BloombergNEF, IATA, SEB

e-SAF (or power-to-liquid) uses green hydrogen and captured CO_2 to synthesize fuel. This route offers the highest long-term abatement potential due to its lower dependence on limited biological feedstocks It is at an early stage and highly capital- and energy-intensive: It takes around three kWh of electricity to produce one kWh worth of e-SAF. In comparison, one kWh in an electric car replaces three kWh worth of petrol. Its high energy needs limit e-SAF competitiveness. Observed forward prices for e-SAF vary widely, but even under current market conditions they are on average more than four times the cost of fossil-based jet fuel.

Impact of EU ETS and SAF on jet-fuel prices

Below shows the combined effect of EU ETS and SAF mandates on fuel costs for EEA flights. The underlying EU ETS scenario sees allowance prices rise from on average EUR/t 80 in 2026 to EUR/t 100 in 2030 to EUR/t 165 in 2034. The SAF price is calculated as a volume-weighted average reflecting compliance with ReFuelEU Aviation blending requirements—2% SAF in 2025–2029, rising to 6% in 2030 (including 1,2% e-SAF) and 20% in 2035 (including 5% e-SAF). SAF price is calculated as a composite of conventional HEFA, priced at approximately EUR/t 2,250 based on observed European market levels, and an increasing share of e-SAF, priced at an average global level of EUR/t 4,730 as shown in the previous figure. We do not consider the impact of 20 million EUA permits that are allocated between 2024-2030 to bridge the cost gap between conventional fuels and SAF.

Figure 32 Carbon-included jet fuel costs for EEA flights



Source: SEB

Results indicate that compliance with EU ETS and SAF mandates will increase jet fuel costs for EEA flights by 41% if fuel costs return to average levels, and 19% if kerosene prices stay where they are currently. The analysis shows that carbon pricing alone is not sufficient to close the price gap between SAF and blending fossil-based kerosene with alternative fuels. The jump in SAF prices in 2030 is due to the e-SAF mandate of 1,2% of all jet fuel.

EU ETS and SAF implications for ticket prices

Carbon compliance costs will also impact ticket prices in Europe. Depending on conventional jet fuel prices, the mandated SAF blending share, and EU ETS prices, fares on

EEA flights could increase by up to 40%, assuming fuel cost share of 30% and complete pass through to passengers. In a 2030 scenario where airlines must meet the EU's 6% SAF blending requirement and EU ETS prices reach EUR/t 100, ticket prices for EEA flights increase by up to 16% relative to average historical jet fuel price levels, or by around 8% when benchmarked against elevated kerosene prices.

Figure 33 implications of EU ETS and SAF blend-in on EEA flight ticket prices

a) Average 2024 jet fuel prices

Ticket price increase in %		SAF share				
		0%	2%	6%	8%	20%
EU ETS price (EUR/tCO2)	0	0%	1%	4%	6%	15%
	50	6%	7%	10%	12%	20%
	100	12%	13%	16%	17%	25%
	150	18%	19%	22%	23%	30%
	200	24%	25%	27%	29%	35%
	250	31%	31%	33%	34%	40%

b) April 2026 jet fuel prices

Ticket price increase in %		SAF share				
		0%	2%	6%	8%	20%
EU ETS price (EUR/tCO2)	0	0%	0%	2%	2%	6%
	50	3%	4%	5%	5%	8%
	100	7%	7%	8%	8%	11%
	150	10%	10%	11%	11%	14%
	200	13%	13%	14%	15%	16%
	250	17%	17%	17%	18%	19%

Source: SEB

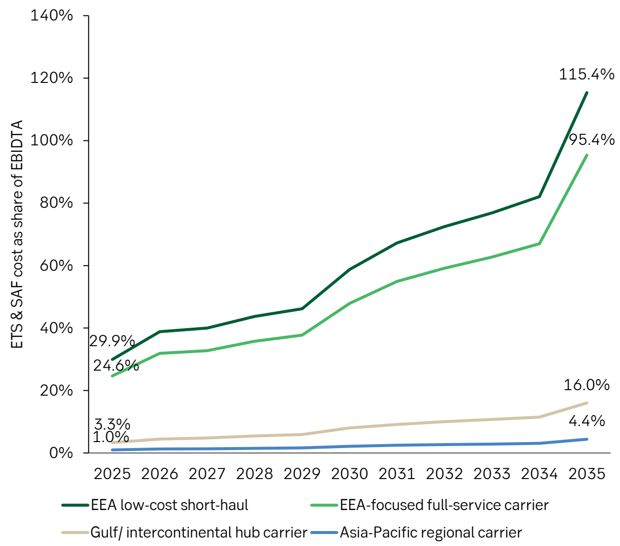
Balance-sheet implications of carbon-included fuel costs

Airlines exposure to – and financial implications of – the EU/UK ETS and the blocks SAF requirements differ substantially. Our analysis assumes that the EU and UK ETS systems will be linked in the near-future and that the combined ETS price will follow the EU ETS' trajectory outlined above. We also expected that airlines will pass on 25% of increasing fuel costs to customers. Here we consider four types of airlines with different cost and network structures:

- *EEA-based low-cost carrier* with a 28% fuel-cost share, 85% share of EEA+UK departures, with a very fuel efficient narrow-body fleet, and an EBITDA margin of 13% before EU/UK ETS or SAF costs
- *EEA-focused full-service carrier* with a fuel cost share of 26%, 70% share of EEA+UK departures, with a mixed fleet of modern narrow and wide-body fleet and an EBITDA margin of 13% before EU/UK ETS or SAF costs
- *Gulf/international hub carriers* with 31% fuel cost share, only 8% share of EEA+UK departures, young wide-body fleet and an EBITDA margin of 15% before EU/UK ETS and SAF costs
- Asia-Pacific regional carrier with a 24% fuel cost share, very limited 2% share of EEA+UK departures, with a mixed and less modern fleet and an EBITDA margin of 10% before EU/UK ETS and SAF costs.

Rising ETS and SAF expenses are projected to reduce airlines EBITDA. Despite this assumed cost pass-through, both the EEA low-cost short-haul airlines and EEA-focused full-service carriers are anticipated to face costs equivalent to up to 60% of EBITDA in 2030. By 2035, ETS and SAF costs are expected to exceed adjusted operational EBITDA of EEA-based airlines. Airlines with less exposure to European carbon-pricing regulations are likely to see only small increase in costs.

Figure 34 ETS & SAF costs as percentage of EBITDA by airline type

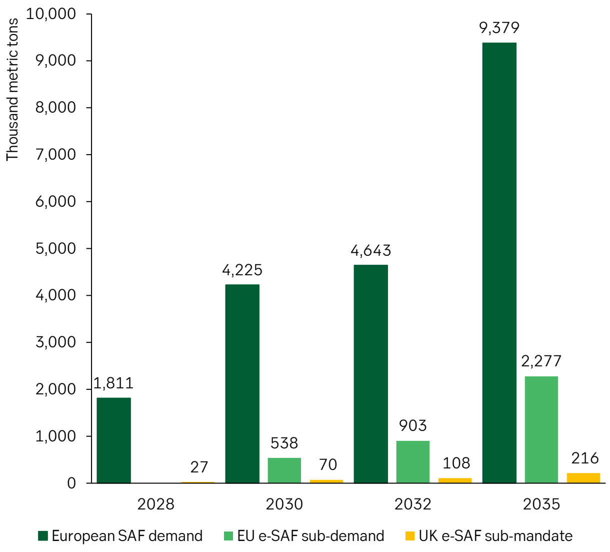


Source: SEB

Challenges to meet future SAF demand

The financial impact of European SAF mandates will depend on the availability of alternative jet fuels. If implemented, EU and UK SAF mandates would likely result in a demand for 1.4 million tons in 2026, rising to 9.4 million tons in 2035. HEFA is expected to remain the largest source of alternative jet fuels to meet compliance requirements in the coming ten years. However, the EU regulation indirectly constrains HEFA supply by explicitly excluding certain crops and determines eligibility criteria for HEFA feedstocks like cooking oil, animal fats, waste and residues. The UK has gone further by imposing an explicit HEFA cap from 2027. Implied demand for Non-HEFA SAF like Alcohol-to-Jet (AtJ) and Methanol-to-Jet (MtJ) and e-SAF – the latter driven by sub-mandates in the EU and UK – are expected to meet an increasing demand for SAF in Europe.

Figure 35 Implied demand from EU+UK SAF mandates



Source: BloombergNEF, SEB

Meeting regulation-driven demand for e-SAF will be a key challenge for the European aviation industry. According to Transport & Environment, European projects account for more than half of the global announced production capacity of 2.1 million tons by 2030. Several high-profile projects have recently been postponed or stalled, signaling several structural challenges to e-SAF production in Europe, including:

1. *Lack of bankable offtake prevents cost reduction through scale:* Airlines remain hesitant to commit to long-term, fixed-price contracts amid uncertainty over the scalability, cost evolution, and delivery reliability of competing alternative fuel pathways, as well as the risk of being locked into structurally uncompetitive supply positions. This limits their willingness to enter-long term offtake agreements necessary to take projects to FID.
2. *Capital intensity remains high despite grants:* EU-funded refinery-integrated and greenfield e-SAF projects continue to exhibit very high upfront capital intensity, driven by electrolyser capacity, Fischer-Tropsch synthesis units, and balance-of-plant integration.
3. *Electricity and hydrogen costs dominate and are weakly reducible by learning:* 70–80% of e-SAF production costs are upstream, dominated by renewable electricity and electrolytic hydrogen. Learning curves in power-to-liquids technologies do not close the cost gap if electricity remains high.
4. *Policy timing and ambition risks.* While EU + UK create future demand, pre-2030 pricing support is largely absent, leaving first-of-its kind projects exposed to market risk. There is also uncertainty about the requirements for renewable hydrogen to count towards the EU e-SAF mandate

If fuel supplies in Europe fail to meet e-SAF mandate, they – and indirectly the airlines they serve – face significant bottom-line consequences. Under the current EU regulation, penalties for non-compliance must be at least twice the price difference between conventional fuel and e-SAF. In a worst-case scenario where an estimated amount of EUR/t 23,000 penalty is fully passed unto airlines, the implied increase in jet fuel costs could exceed two times the annual EBITDA of EEA carriers.

Shift to carbon neutral aviation including removals

The UK was an early mover in aviation decarbonisation, initially anchoring its strategy around its SAF. With the countries Jet Zero Task Force Report in 2025, UK policy shifted toward a carbon-neutral aviation framework, explicitly accepting that aviation will reach net zero through a combination of SAF and carbon removals, rather than complete fuel decarbonisation.

The EU is laying the foundations for scaling carbon removals. The Commission has adopted delegated acts on permanent removals, backed several industrial-scale projects, and announced a public–private carbon-removal buyers' club. At an estimated subsidised cost of ~EUR/t 300, Bioenergy Carbon Capture and Storage could be a cost-competitive complement to e-SAF for residual aviation emissions, with proposals expected in July to integrate removals into the EU ETS.

Consequences of carbon pricing on European aviation

ETS and SAF regulations will materially increase cost pressure on European airlines. Absent full pass-through to passengers or material efficiency gains, profitability will be strained. Airlines are therefore likely to respond through higher fares and higher load factors, achieved via capacity discipline—reducing frequencies and optimising fleet size and mix—with knock-on effects for capital turnover, financing, and network strategy. Increasing carbon-induced fuel costs are also expected to drive consolidation in the European aviation sector. The fate of Spirit Airlines is the most recent example of the existential threat an unexpected rise in operational costs can pose to aviation companies.

Airlines are facing significant market, technology and policy risks in meeting future mandates for e-SAF. Given the structural challenges to scaling power-to-liquid fuels in Europe, it is likely that exports will meet a large share of compliance-driven demand for e-SAF in Europe. EU regulators will have to acknowledge the complimentary role carbon removals can play in decarbonising the European aviation industry.

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