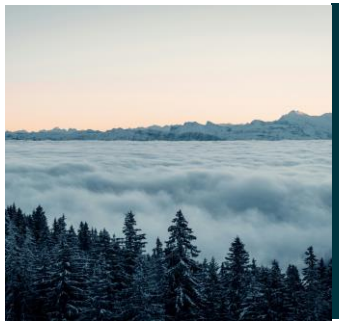


# Green Deal tracker: H1 review 2025

This is regular Green Deal tracker, where we sum up key new legislative outcomes and highlight those we believe will have notable market effect.

## Introduction & summary

Reviewing H1, the European Commission's challenge has been to balance competitiveness, geopolitics and climate goals, while facing new vocal ESG-sceptics within the EU and globally. The EU's simplifying Omnibus-bill has overshadowed the likely impactful Clean Industrial Deal (both launched in February) as well as the steady-paced Green Deal legislative train – with July being particularly busy in terms of votes and new launches. Below we list key ESG regulations that might have been overlooked.

Up ahead, key ESG priorities for the EU Presidency, now led by Denmark, is to secure the Omnibus-bill (expected in Q4) and to prove that sustainability and competitiveness are mutual reinforcing. In this context, we see new regulatory trends for H2 2025: natural resources efficiency and circularity, alongside the ongoing energy transition.

**We believe the following political trends will affect enactment of ESG-related polices under the Danish presidency in H2 2025:**

- **Of the now-sealed policies, some laws are more notable for capital markets than others.** The Green Deal is a complex package of laws affecting almost every part of the economy. Of the below-listed, we still find the Energy Performance of Buildings Directive and Omnibus 1 key to watch short-term, for their potentially costly effect and for signalling which direction the EU's sustainability agenda will take, while the Clean Industrial Deal will steer the EU's long term strategy.
- **New 'softness' over Green Deal.** With the EU shifting to the right after the EU elections last year, the Commission's response has been to reframe it Green Deal to focus on boosting competitiveness and slashing red tape. We see a read thread among retracted regulations: those hitting a concrete, vulnerable sector with costs (e.g. CO2 emissions in trucks and cars – directly hitting the German automotives) are more likely to be adjusted than those hitting broad set of sectors with energy efficiency measures (e.g. energy efficiency of buildings). Hence, energy-saving regulations will likely prevail as is, while emissions-costly regulations are more likely to be adjusted/delayed.
- **Omnibus simplifications have marginal effect on large, listed companies.** The Omnibus launched in February 2025 set out to simplify certain key ESG regulations, primarily disclosure-related (CSRD, EU Taxonomy and CSDDD), as well as CBAM. The simplifications will be approved in 2025 and impact approximately 80 percent of EU companies, but largely SME's (giving small companies a much-needed breathing room to adjust to ESG-related disclosures). For Nordic large, listed companies, we believe the impact is marginal, since most still fall within reporting scope (decided by revenue and headcount). In this report, regulations that are to be simplified under the Omnibus regulations are marked as 'Recast: EU Simplification Agenda'
- **The 'Trump effect' on *ongoing* EU ESG regulations will be marginal, in our view.** The US presidency poses notable uncertainty for ESG-related areas, such as global climate diplomacy, renewables investments, and US climate risk disclosures. However, as we have previously noted, EU's ESG policies currently under political process are likely to be pushed forward as planned.

*This report covers key legislative changes and outcomes from H1 2025, and is best read as a supplement to our previous Green Deal and Fit for 55 publications. As always, please contact us if you would like further information on the EU's Sustainable Finance or previously passed regulations, such as the Euro 7, EU ETS Reform (including shipping), ReFuelEU and FuelEU Maritime, Critical Raw Materials Act and Renewable Energy Directive.*



# Green Deal tracker: Key regulatory changes, H1 2025

## 2040 Climate target proposed as planned – with more flexibility

**What is new**

In July, the European Commission finally presented interim targets to 2040 under the EU Climate Law, with 90% reduction in greenhouse gas emissions compared to 1990 levels. This target is no surprise, as it was previewed back Q1 2024 and in line with scientific advice. However, the July-proposal now suggests *how* to deliver on the EU's 2040 targets as part to meet the EU's longer term net-zero 2050 target.

**New proposal implies**

- What *is* new, compared to the 2024-plan, is the EU allowing members states' use of flexible mechanisms to meet national targets, three acts are noteworthy (in addition to key CBAM changes, covered below):
  - Opening for high-quality quota trading internationally, e.g. member states can purchase carbon quotas outside the EU. This is the key negotiation point, as some argues carbon credits negatively impact climate goal creditability.
  - Integrating carbon-removal into the EU ETS, e.g. a company that does carbon removal (for instance bioenergy) can generate and sell allowances on the EU ETS.
  - Opening for cross-sectoral counting, e.g. a member state can compensate for one struggling sector (for instance agriculture - a key pain point for many) with an overachievement on reducing emissions within other sectors such as waste and transport.
- In addition, there is a Clean Industrial Deal state-aid framework with a range of measures member-states can take, although the vagueness of this aid might limit impact, in our view.
- We take note that whereas the 2024-plan put pressure on fossil fuels consumption aiming to reduce 80% versus 2021 levels, this is not further elaborated on by this now proposed 2040 target. Furthermore, agriculture continues to be pretty much omitted, despite the sector being responsible for more than half of the EU's methane emissions and the mounting push for agricultural requirements.

**Market impact: Not overly ambitious, but a cementation of already tough climate policies in our view.**

- As no hard law has been passed yet, we do not expect immediate market effect. However, this steady, somewhat soft approach taken by the Commission in this proposal is necessary to gain political backing in a delicate moment for EU climate policy. If approved in Q4 2025 (likely, in our view), the target will steer the EU's climate-related financial path forward, guiding investment decisions for industrial actors.
- Although it is too early to conclude how or if the carbon credits option will impact, there is no indication that this may impact the steadily crowing CO2 price that EU ETS companies face (currently at approximately 75Eur/tCO2, and estimated to double by 2030).
- However, for carbon removal -and storage solutions, this is a benefit – making a stronger, likely quantifiable business case as these companies can price in EU ETS quotas. This is in line with the EU's substantial industrial carbon infrastructure roadmap to boost carbon capture storage sites, capture technologies, transportation, and utilisation, the plan to capture 280m tons of CO2 by 2040 and c450m tons by 2050 (a sizeable scale-up from today).

## Carbon Border Adjustment Mechanism (CBAM)

**Recap**

Formally kicks-in 1 January 2026. The Carbon Border Adjustment Mechanism (CBAM) sets a toll on carbon emitted from imported goods into the EU. The purpose is to maintain the competitiveness of the EU's manufacturers as they face gradually increased $CO_2$-related costs due to the EU ETS. CBAM is gradually phased-in from 2026 for imports of the sectors cement, aluminium, fertilisers, electric energy production, hydrogen, iron and steel, as well as some precursors and a limited number of downstream products. In parallel, existing free EU ETS-allowances to these sectors are phase-out.

**What is new: Two changes launched in June and July**

1. In the Omnibus-bill, the Commission proposed that goods of imported tonnage less than 50 tonnes per year are exempt from the CBAM. Both the Parliament and the Council have supported this position in May and the changes are likely to become law in 2H 2025.
2. In July and March (under the Steel and Metals Action Plan), the Commission proposed that CBAM-revenues should temporarily be channelled to European companies at risk of 'carbon leakage' (i.e. carbon intensive industry facing high carbon costs, and thus low international competitiveness, due to CBAM and phase-out of EU ETS allowances). This 'Solution for CBAM exports' is still on the drawing table with more details to come in by end-2025, ahead of CBAM kicking in.

**Market impact:**

- The CBAM 'de minimis' mass threshold would exempt most SME's and individuals, about 90 percent of companies, whilst still covering 99 percent of the carbon emissions the imported products are responsible for. This is very good news for SME's, but has little effect on large, listed CBAM-sectors in practice.



# Green Deal tracker: Key regulatory changes, H1 2025

- However, 'Solution for CBAM exports' is both controversial (in terms of the EU subsidizing heavy industry) and potentially beneficiary for Nordic high-emitters, we believe. The EU insists on the subsidy being temporary, with review in 2027, and on recipients needing to provide a clear plan on emissions reduction in order to qualify. With key high-emitters in the Nordic, such as **SSAB, Hydro** and **Yara**, being ahead of the peer curve in terms of decarbonization, this measure could be a benefit.
- Although the CBAM-subsidy amount is not yet set (Commissioner Hoekstra has indicated the measure would cost EUR70m in 2026 and 'go up a bit' later), BNEF estimates that actually EUR 18.5 bn could be recycled to CBAM-sectors in 2030, with steel and cement as largest beneficiaries. For instance, DNB Carnegie's **SSAB** analyst estimates that CBAM's phase-in and the EU's safeguard measures will reduce imports and support prices in the coming 6-12 months.

## CO2 emissions standards for trucks and cars

**What is new**

Completed with formal adoption in April 2023. However, resurfaced in 2024 as the new European Parliament wanted to repeal entirely (which is rare) or at least delay. This was set for Spring, but is more likely to happen in H2 2025. Pressure to push this through eased somewhat after the EU in May 2025 agreed to ease interim emissions targets (instead of requiring 15 percent CO2 cut in 2025-emissions based on 2021 baseline, carmakers are now allowed to average emissions over three years instead of basing them solely on 2025.

**New rules imply**

The law bans the sale of new combustion cars by 2035. However, this past year, Germany has led key member states calling for a repeal or backtrack, citing consumer costs, slow EV-market and impaired competitiveness for Europe's ailing automotive sector. While keeping the phase-out of combustion engines alive (as transportation accounts for 40% of the EU's total emissions, but car manufacturing is responsible for 13 million direct and indirect jobs in the EU), the law is likely to be delayed and tweaked but not repealed in its entirety, in our view, especially as competitiveness is a key focus of the EU's strategic agenda. A likely tweak is to shift from full ban to 90 percent reduction target for new vehicles by 2030.

**Market impact**

We believe this ban will affect consumers more than the already transitioning sector of car suppliers and manufacturers. Although EV demand in general will continue to grow, in our opinion (EV sales across the EU increased near 24 percent in Q1 compared to 2024), the expected delay to the 2035 ban could put negative pressure on EV producers' target markets. Hence, we have seen producers backtracking their targets: **Volvo Cars** abandoned its target to produce only fully electric cars by 2030, citing changing market conditions.

## Clean Industrial Deal – chasing cheaper energy and more funding

**What is new**

The EU Clean Industrial Deal (CID, launched in February) is the Green Deal successor to reignite the EU economy, while ensuring further decarbonisation. This is not a hard law, but sets the EU's 5-year strategic foundation for future policies. What stands out to us is focus on financial incentives and on removal of impediments for decarbonisation (rather than on imposing more costs). For instance, it includes a step-up of InvestEU, a program run by the EIB and the Commission to combine instruments to match public funds with private financing.

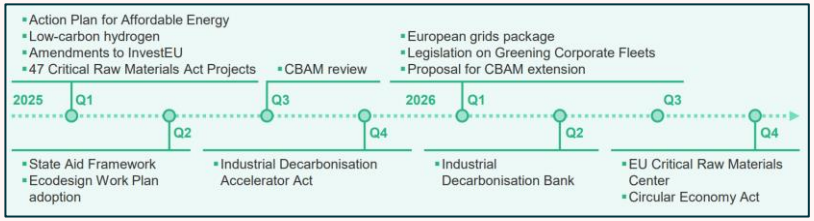
What also stands out is the number of initiatives in a relatively short period, examples being Affordable Energy plan (including cooperation on nuclear) and Grid package, Tax reduction on electricity, step-up of Critical Raw Materials Act and of Circular Economy. Given current macroeconomic and geopolitical pressures, we believe timelines could be realistic.

**Market impact: No hard law, but actionable plans ahead**

Rather than being overly ambitious, this deal is an acceleration and simplification of already established decarbonisation policies, in our view. It is all about strategic direction and impacting markets in the longer term, where likely concrete benefiting names are too early to call, but where likely tailwinds will come to sectors of clean-tech manufacturing, electrical and grid-related equipment, emissions-reducing solutions, low-carbon metals and more.

The EU will onwards launch concrete CID packages, which will be the ones to watch. The First Package of 'CID Delivery' came July 2025, focusing on financing including:

- New Clean Industrial Deal State Aid Framework replaces temporary crisis rules. Simplified and flexible criteria for aid to energy-intensive industries, cleantech manufacturing, renewables, grid and storage (Mid-2025 to 2027).
- Tax incentives: Commission Recommendation new State Aid Framework & tax incentives guidance, focusing on refundable tax credits for clean tech and industrial decarbonisation (Mid-2025 to 2027).




*For more details and timelines, see our Market Comment published 6 May 2025*



# Green Deal tracker: Key regulatory changes, H1 2025

## Energy Performance in Buildings Directive (EPBD)

**What is new**

On track. At the EU level, not much is new after the EPBD was completed and published in the Official Journal on 8 May 2024. However, member-states have started to incorporate the rules into national legislation by the deadline June 2026. In practice, this means that all local laws and standards must be updated to mirror those of the EU. Thus, we see changes in the Nordic countries, where Sweden leads.

- **In Sweden,** the Swedish National Board of Housing, Building and Planning (Boverket) plans to integrate the EPBD into Swedish law by 29 May 2026. While Sweden's renovation rate remains below target, it has shown good regulatory progress in identifying building types in need of renovation (c7.8% by 2030, c15% by 2033) and assessing which national regulations need to be altered. Boverket regularly publishes definitions and standards to adapt.
- **In Norway,** the government has not yet confirmed that EPBD will be implemented by the 29 May 2026 deadline. For Norway, the EEA process (easily delayed) and its postponed EPBD decision until after the 2025 elections has created unpredictable issuer and investor sentiment. However, in June, energy efficiency thresholds for top-performing buildings were published as expected (either energy label A – C or rank among top 15% most energy-efficient nationally). Thresholds for worst-performing buildings that require potentially substantial capex are likely to be published after the September elections (our view) and will be key to watch.

**What the new rules imply:** To speed up building renovation rates, benefiting construction companies and increasing capex for real estate companies:

- Minimum energy performance standards must be met, leading to renovations of the worst-performing 16% of buildings by 2030 and 26% of buildings by 2033.
- Each member state is to adopt its own national trajectory to reduce the average primary energy use of residential buildings by 16% (by 2030) and 20–22% by 2035.
- National measures will have to ensure that >55% of the decrease of the average primary energy use is achieved through renovation of the worst-performing buildings.
- Member states will have to set out specific measures on the phase-out of fossil fuels in heating and cooling, with the aim to completely phase out fossil-fuelled boilers by 2040.
- Zero-emissions buildings will be the new standard for new buildings (zero on-site emissions from fossil fuels of publicly owned buildings as of 1 January 2028, and of all other buildings as of 1 January 2030).
- All new buildings must be solar-ready, meaning they must be capable of supporting rooftop PVs or solar thermal installations.
- Some buildings are exempt from targets, e.g. historic and certain residential and holiday homes, as specified by each member state.

**Market impact**

In our view, the EPBD is among the most concrete dossiers coming out of the EU Green Deal and should have a broad effects: 1) raise capex in real estate and 2) boost volumes in construction, consulting and niche suppliers. Thus, the real estate sector needs to increase capex (where asset owners with new property such as **Entra** and **Fabege**) would be better positioned than those in need of renovation such as **SBB** and **Hufvudstaden**), while parts of the construction and consulting sectors are likely to benefit (e.g. **Norconsult, Sweco, Afry, Multiconsult, NCC** and **Veidekke**). We also view suppliers and providers of energy-efficiency solutions as 'winners' (e.g. **Alfa Laval, Rockwool, Systemair,** and **Beijer Ref**).

*For more details, see our EBPD report written with Real Estate & Construction analyst, published 3 March 2025.*

## EU Deforestation Regulation (EUDR)

**Recap**

This milestone global forest protection bill is set to begin on 30 December 2025 (delayed from 2024 driven by compliance and administrative burdens) state that all products from palm oil, soya, wood, cocoa, coffee, cattle, and rubber may be placed or made available on the EU market, or exported from the EU, only if they meet the following requirements:

- Deforestation-free: Relevant products must be traceable to the plot of land where the relevant commodities were produced/harvested, and such plot of land must not have been subject to deforestation or to forest degradation after 31 December 2020.
- Legality: Production/harvesting of the relevant commodities on the respective plot of land must be compliant with relevant legislation of the country of production.
- Due diligence statement (DDS): Each batch of relevant products must be covered by a DDS and submitted/approved into the EU Information System. EU companies that import these commodities would need to improve supply-chain transparency by end-2025 (delayed from 2024).
- Practical implementation: Companies, if they make a commodity or product available on the EU market or exports them, it is considered an operator under the EUDR and responsible for compliance and setting up a suitable due diligence system and reporting obligation that can track and trace imports back to the field they have been grown. Member-states, must ensure that their supervisory authorities perform compliance checks of 1 percent for low risk, 3 percent for standard risk, and 9 percent for high risk countries.

**What is new**

- New in H2 2025, is the one outstanding adjustment of the law: the EU's 'deforestation risk list'. The European Commission has proposed that this list will categorize countries into high, standard and low risk of deforestation, and require member states to conduct high, standard and low scrutiny over commodity imports accordingly. Due diligence cost will likely be significant for companies with large share of imports from 'high risk'

- geolocations. Consequently, the EU's key commodity trading partners, e.g. Brazil, Indonesia as well as forest-abundant EU members Finland and Sweden, have actively lobbied for their position within the low-risk category. In May, the final published Country Classification List rates all EU members as 'low risk' (as well as China, USA and Canada), while only Russia, Belarus, Myanmar and North Korea are rated 'high risk'. Most Asian, African and Central American countries are rated 'standard risk'.
- The European Parliament voted in July to dismiss this list, arguing EUDR will lack teeth of only three countries are deemed 'high risk'. The Commission is under no obligation to act on the Parliament vote but is right now reconsidering the 'risk list' and might come up with something new in autumn 2025.

**Market effect**

- With regards to the newly published Country Classification Risk, we believe these adjustments will not affect Nordic impact substantially in practice since importers of commodities from e.g. 'standard risk' countries maintain traceability.
- However, with regards to the main EUDR, we believe there is more downside potential for companies that fail to comply than there is upside potential for those that do comply. In terms of downside risk, scrutiny and costs could be significant for companies with a large share of imported commodities, especially from 'high risk' geolocations that are yet to be determined. The bureaucracy related to compliance is substantial. Affected sectors and companies include: tyre companies (**Nokian**), food (**AAK**), seafood (e.g. **Mowi, Bakkafrost**), and retail (e.g. **Orkla, Axfood**), which are all ahead of the compliance curve, in our view, with a high rate of suppliers audited/certified and regulated product traceability. The Nordic forestry sector (e.g. **Norske Skog, SCA, Stora Enso,** and **UPM**) are also relatively well-positioned due to existing strict deforestation and traceability policies. The laws will likely disproportionally affect small and private forestry companies. However, on the upside, we believe compliance would not be likely to constitute a material competitive edge in the broader picture.
- 'E' versus 'S' dilemma: We see that responsible importers of commodities from less-developed countries face the dilemma of, on one hand, sourcing from compliant mass-producers, or on the other hand, training and helping transition less-compliant local producers.

*For more details, see our Market Comment published 14 November 2024*

## Omnibus 1: EU's simplification package on reporting

**Recap**

In February, alongside the Clean Industrial Deal, the EU proposed the anticipated 'Omnibus' regulation. Omnibus means a joint recast of several existing regulations, in this case easing four key regulations on sustainability disclosure: EU Taxonomy, Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CS3D) and the Carbon Border Adjustment Mechanism (CBAM – see details above). The purpose is disclosure simplification and more flexibility to European corporates (especially SMEs) by easing administrative burdens so that they can focus more on competitiveness as recommended by the 2024 Draghi-report. The Omnibus requires a full EU legislative process and we expect final outcome late 2025 early 2026.

**What is new**

The Commission, Council and Parliament need to agree on how many companies will be exempted, based on revenue and headcount. Scope size is decisive for how profound the market impact will be. The Commission (in February) and Council (in June) have different ideal scope, and the Parliament will decide its position in October. The proposed, most likely, outcome is that approximately 80% of EU companies will be exempted from full ESG reporting.

With the European Commission and the Council positions now ready, we await the position of the European Parliament in the fall before negotiations and final law can be set, expected in Q4 2025 or Q1 2026.

**Market impact**

- In brief, based on the current position by the Commission, **457** companies under DNB Carnegie's coverage would be in-scope for CSRD (EUR50m), whilst based on the Council, only **279** companies would be in-scope (EUR450m). While we await the position of the Parliament, its first position draft mirrors that of the Council (EUR450m). The Omnibus also proposes to cover companies with >1000 employees (under negotiation, as some fractions of the Parliament suggest >3000) from the current 250 employee threshold, which may further narrow the scope.
- These diverging views on scope will significantly impact the number of companies required to report and thus will take time to land. We believe the current EU is more likely to let a less ambitious scope pass than to risk the Omnibus to fail or delay, as there is broad political consensus that reporting alone does not move capital at scale. However, clients tell us that they expect the Omnibus 1 to have limited impact on the amount of information investors would get from large, listed companies. Getting less, but decision-meaningful information is far more important than getting up to 2000 ESG data points.
- *For more details see our NewsComment published 26 June 2025.*



# Green Deal tracker: Key regulatory changes, H1 2025

## Packaging and Packaging Waste Regulation (PPWR): continuing ban on single-use plastics and more

**Recap**

Completed and entered into force February 2025 and will apply from August 2026. The regulation aims to reduce the EU's annual packaging waste of c190kg per capita, with reduction targets of 5% by 2030, 10% by 2025, and 15% by 2040. Requirements entail that from 2029, a depository return system for single-use plastics and metal cans (flexibility for countries with >80% collection rates); from 2030, all packaging must be recyclable and several single-use plastics would be banned; from 2035, recyclable packaging would need to be recycled at scale.

**What is new**

1. **'Environmental Omnibus' – soon on the table to simplify policies:** As part of the EU's extensive Simplification Agenda (launched February 2025 with the 'Omnibus 1' on reporting simplification as its first step (see below)), the Commission plans in late 2025 to propose an 'Environmental Omnibus' to reduce administrative burden for companies specifically related to the environment, in which waste-related regulation has been lifted as a key area to simplify (e.g. PPWR and the directives on Waste Framework and Single-Use Plastics). In our view, it is unlikely that these regulations are retracted since there is broad political consensus for the overall goals. However, it is likely that we see eased or delayed requirements for SME's as has been the case on reporting requirements in Omnibus 1. A public 'Call for Evidence' regarding the Environmental Omnibus in ongoing until 10 September, after which we will know which areas most likely to see simplification.
2. **UN Plastics Treaty – failed, but increases global pressure:** In parallel, the UN has in August 2025 faught to land a long-awaited Plastics Treaty and global target on plastics lifecycle standards. Notably, the UN treaty failed – both on efforts to set plastic lifecycle standards and to set production reduction targets, due to opposition from large plastic producing countries such as Saudi-Arabia. Should the UN succeed in the future (no new talks are scheduled, but pressure is mounting), the proposed targets would be well below EU-targets on recycling and reuse, such as PPWR and EU Single-Use Plastics Directive (2019). Hence, for Nordic producers and waste management companies ahead of the curve (names below), a UN Treaty could give long-term tailwinds.

**Market impact**

- While the PPWR regulation is no surprise to the EUR370bn packaging and recycling industry (we find the upside potential largely priced in), the law signals that circularity, waste, and resource-efficiency are fast climbing the regulatory agenda.
- The PPWR is linked to the similar, but ongoing, Waste Framework Directive: textiles and food waste, which puts into law that member states should have ensured the separate collection of textiles for re-use and recycling for food on 1 January 2025. Legally binding food waste reduction targets by 2030 are to be set by member states.
- We see tailwinds for some Nordic names and sectors. Specifically, we believe the food packaging (where paper wins) would positively affect names such as **Huhtamaki, Billerud**, and **Elopak**, and companies ahead of the packaging recycling requirements, such as **Orkla**. The regulation's recycling rate provisions could also be positive for **Tomra** and chemical recycling company, **Agilyx**.

DNB Carnegie Equities Research

Please contact us should you want any further information on these, or related ESG regulations.

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