Green Deal tracker: review & outlook

DNB CARNEGIE'S GREEN DEAL & SUSTAINABILITY TRACKER SUMS UP RECENT ESG-RELATED REGULATORY OUTCOMES, AND HIGHLIGHTS THOSE WE BELIEVE WILL HAVE A NOTABLE EFFECT ON THE NORDIC MARKET



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INTRODUCTION AND SUMMARY

Reviewing H1 2026, the EU has entered a consolidation phase. The legislative ambiguity of 2024–25 has given way to a clearer regulatory picture, though not a simpler investment story: ETS is firm, the though CO_2 price is uncertain. CBAM's financial phase is live. Packaging waste law is in effect. Omnibus 1 is now law, meaning the core sustainability architecture is confirmed and, importantly, intact. The investor question has shifted from *will these regulations survive?* to *what will they cost, and who gains?*

Under the Cypriot Presidency H1 2026, the half-year was marked by finalising what had been agreed rather than launching new ambitions. July changed the tone: the Commission simultaneously published the EU ETS review and the Electrification Action Plan, together arguably the most consequential climate policy double-act since Fit for 55. Increasingly, sustainability is being recast as industrial strategy - with decarbonisation, circularity and energy infrastructure positioned as tools for economic resilience rather than regulatory burden.

The Irish Presidency, which took over on 1 July, brings climate action and simplification back to the fore. H2 will be defined by ETS and CBAM reform trilogues, Grids Package, the EUDR's December enforcement deadline and the tabling of the Circular Economy Act. **We see the carbon price trajectory, and what it implies for CBAM-exposed Nordic industrials, as the single most consequential regulatory decision of the year.**

A note from DNB Carnegie Equities Research ESG team

This report covers key recent legislative changes affecting Nordic corporates 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, ReFuelEU and FuelEU Maritime, Critical Raw Materials Act and Renewable Energy Directive.

KEY CURRENT EU ESG REGULATIONS AND TRENDS, H1 & H2 2026

- **Carbon pricing is the defining investment risk**. The July EU ETS review proposes a lower Linear Reduction Factor, 3.7% for 2031–35, down from 4.4%, and international credits from 2036, structurally softening the long-run CO2 price signal. Nordic industrials face a changed investment case if the LRF is further diluted in trilogue. Price uncertainty is set to persist.

- **CBAM is live, but credibility depends on ETS review.** Financial obligations began 1 January, with first certificate surrender due September 2027. H1 was marked by a near-miss fertilizer exemption, illustrating CBAM's vulnerability to sector lobbying.

- **Electrification Action Plan, published 17 July, sets the energy agenda for the decade.** A 46% electrification target for 2040 and measures to close the electricity price gap point to tailwinds for Nordic grid and power intensive names.

- **Circular Economy Act (CEA, expected Q3–Q4 2026) is the next structural regulation for materials sectors**. As EU Packaging law came into effect Aug 2026, this new CEA targets a single EU market for secondary raw materials and 24% circular material use by 2030 – a direct beneficiary key Nordic recycling operations.

- **EPBD transposition deadline passed in May. Sweden delivered (albeit delayed), Norway has not.** Key thresholds for worst-performing buildings remain unpublished and final renovation plans are due by 31 December – keeping capex pressure on real estate and opportunities open for solutions companies.

- **EUDR has a hard December 2026 deadline.** A May simplification package cut compliance costs by ~75%, and no third delay is coming. The scope adjustment removing retreaded tyres is relevant for companies in our coverage.

- **ESG simplification has marginal impact on large, listed Nordic companies.** Omnibus 1 thresholds keep most of our coverage universe in scope for CSRD. The reporting burden is lower; the regulatory exposure is not.



Green Deal tracker: EU ETS & carbon markets, H1-H2 2026

EU ETS REVIEW: PRESERVED, BUT NO LESS ONEROUS

Recap

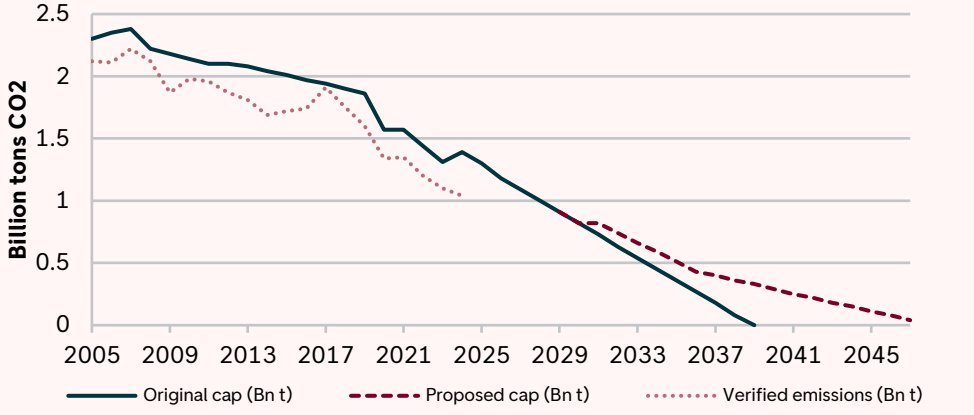
The EU Emissions Trading Scheme (EU ETS) covers c50% of total EU CO_2 output across power, industry, aviation and maritime. Companies must hold a permit (EU Allowance, EUA) for every tonne emitted; the cap declines annually by the Linear Reduction Factor (LRF), currently 4.3%, making allowances progressively scarcer. The EU ETS review, triggered by the EU's 2040 climate target (90% net reduction vs. 1990), resets the framework for the decade ahead. Political resistance to further tightening drove significant EUA price volatility in H1 2026.

What is new: Five pillars of increased flexibility

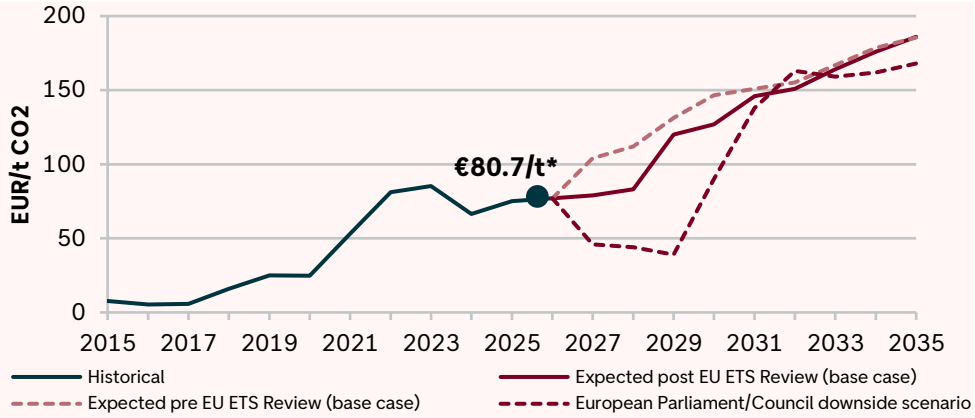
The Commission published its EU ETS review proposal in June 2026. The headline: the ETS is preserved, but less onerous near term.

- **Cap relaxed — the most price-sensitive decision.** The LRF is cut from 4.4% to 3.7% between 2031 and 2035, and to 1.7% from 2036 (red cap line, graph). From 2036–40, governments may purchase up to 260 million international carbon credits to supplement domestic reductions.
- **Free allowances extended for CBAM covered sectors.** Free allocations for steel, cement, aluminium, fertilisers and hydrogen were due to phase to zero by 2034. The review retains 15% from 2034 to 2037, deferring full phase-out to 2038. Free allocations for all other ETS sectors are extended to 2040.
- **MSR reformed.** The Market Stability Reserve halves its intake rate from 24% to 12% from 2028 and introduces a lower release buffer of 300 million allowances, reducing the risk of extreme price swings.
- **Carbon removals integrated.** Biological carbon capture and storage (BioCCS) and direct air capture and storage (DACCS) enter the ETS for the first time, providing a government-backed revenue stream at or near the prevailing carbon price.
- **Scope widened.** Aviation: ETS applies from 2029 to all EEA-departing flights within 5,000km of Frankfurt. Maritime: extended to vessels of 400–5,000 gross tonnage, with a 110 million allowance reserve supporting sustainable fuels from 2028–40. Waste: municipal waste incineration enters from 2031, phased to full compliance by 2034.

EU ETS CAP TRAJECTORY: HISTORICAL AND PROPOSED (2005–2047)



EUA PRICE SCENARIOS DEPENDING ON POLITICAL NEGOTIATIONS



Sources: DNB Carnegie; European Commission; BNEF. For more EU ETS insight, see our 'EU ETS Review Comment' from 17 July 2026. EUA price: MOA Comtdy as per Aug 2026



Green Deal tracker: EU ETS & carbon markets, H1-H2 2026

WHY IT MATTERS FOR NORDIC MARKETS

Market impact:

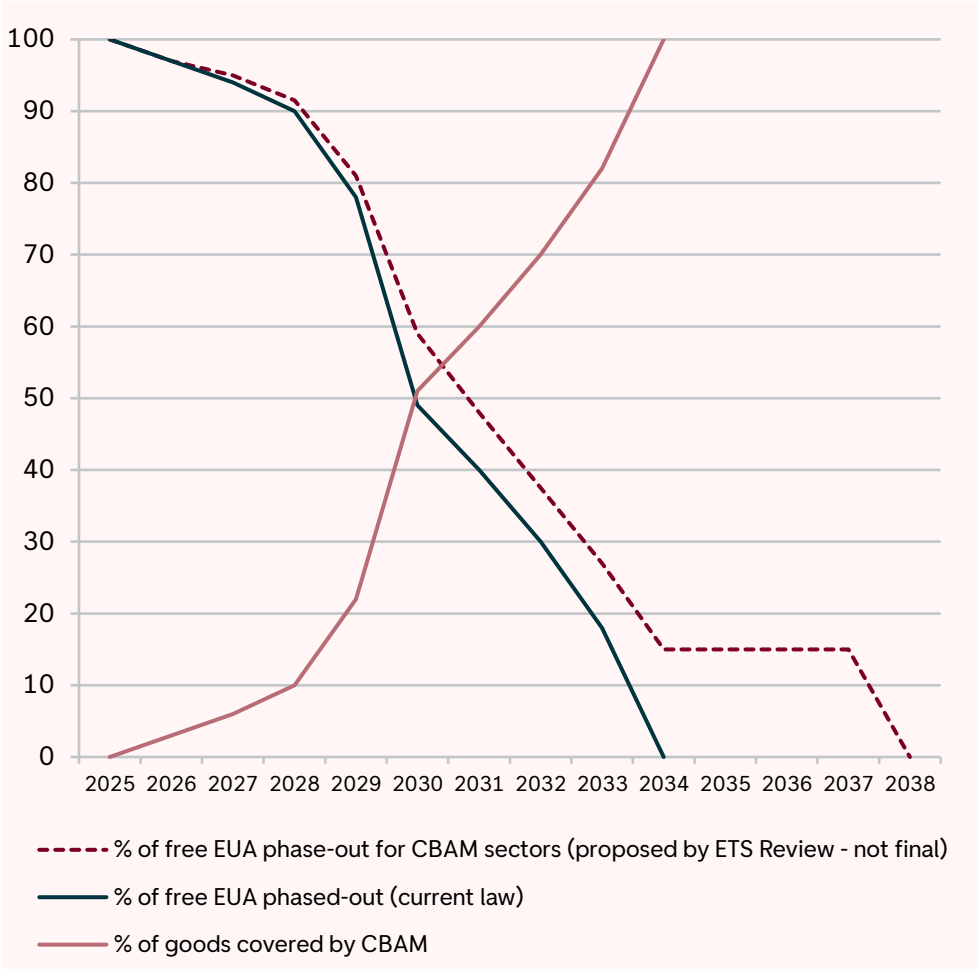
- **Lower forward EUA price is the overarching variable.** The LRF reductions represent a material downward shift in the forward EUA price versus all prior modelling, directly reducing medium-term compliance costs – but also weakening the financial case for accelerated decarbonisation investment (see price graph, previous page).
- **Free allowance extension is a near-term cost positive for CBAM exposed industrials.** The four-year delay in full free allowance phase-out reduces near-term cash costs for SSAB, Yara and Norsk Hydro. However, simultaneous retention of free allocations and CBAM charges from 2034–37 is legally ambiguous and potentially WTO incompatible – a risk to watch.
- **Additional free allowances for non-CBAM sectors favour chemicals.** Companies not yet covered by CBAM gain from extended free allocations without an offsetting mechanism, providing an unmitigated cost reduction.
- **Maritime widening adds incremental compliance scope.** Inclusion of 400–5,000 GT vessels broadens the cost base for short-sea operators. The 110 million allowance reserve creates a financing avenue for green propulsion investments.
- **Carbon removal integration creates a nascent revenue stream.** BioCCS and DACCS operators gain EUA-equivalent revenue, potentially improving project economics for early movers in Nordic forestry linked carbon capture.

Our view:

The review confirms the political direction of the past year: the ETS survives, but is meaningfully loosened. The lower LRF path reduces the structural upward pressure on carbon costs that underpinned much of the green transition investment case through 2025. The greater impact falls on the long-dated economics of decarbonisation projects requiring EUR90–130/t to be viable.

Final agreement on the LRF and MSR is unlikely before Q3–Q4 2026, keeping EUA price uncertainty elevated. We see **SSAB***, **Outokumpu**, **Yara** and **Norsk Hydro** as the most directly watched names; **renewables and power producers** as indirect beneficiaries of any EUA price recovery; and **short-sea shipping operators** as incrementally more exposed on scope widening**.**

EXTENSION OF FREE CARBON PERMITS FROM 2034-38 AND REDUCED PACE AT WHICH ALLOCATIONS FALL FROM 2028



*) Note that the European Commission's proposed **Industrial Accelerator Act (IAA, proposed 4 March 2026)** would, if adopted, require at least 15% of steel used in public procurement meets a low-carbon threshold from 2029. The IAA seeks to reward deep decarbonisation, directly advantaging low-carbon producers such as SSAB and Norsk Hydro.



EU ETS linked: Industrial Accelerator Act & EU Electrification Action Plan, H1-H2 2026

INDUSTRIAL ACCELERATOR ACT: PROTECTION OF EU-MADE DECARBONIZED PRODUCTS; NO HARD LAW YET

What is new

- On 4 March 2026, the European Commission tabled the Industrial Accelerator Act (IAA), aiming to boost Europe's industrial base by accelerating capacity in strategic, decarbonised sectors.
- The Act is part of the Clean Industrial Deal and introduces several tools; in our view, the most concrete is its public procurement obligations, which from **1 January 2029 require minimum low-carbon content thresholds of 25% for steel and aluminium, and 5% for concrete, in publicly funded projects.**
- The IAA is designed to create a guaranteed demand floor for low-carbon industrial materials, a direct complement to the EU ETS, which makes carbon intensive production expensive but does not itself generate product demand. Together, the ETS drives the supply side incentive to decarbonise; the IAA creates the market to sell into.
- The European Council has called on the co-legislators to adopt the IAA by end of 2026, making adoption before mid –to late 2027 unlikely. In our view, a 2029 implementation timeline could still be realistic, as the political signals have been broadly positive so far.

Our view on potential Nordic impact, if approved as hard law

- The IAA creates a demand-pull for low-carbon industrial materials at scale. EU energy intensive industries have faced considerable competitive pressure, steel production has declined by almost 20% over the last decade, aluminium by around 40%.
- Nordic producers in these sectors, **SSAB** and **Outokumpu** in green steel, **Hydro** in low-carbon aluminium, **Yara** in low-carbon fertilisers, are operationally ahead of European peers in decarbonisation, and are therefore well placed to qualify for the IAA's low-carbon label and procurement preferences from 2029. This could translate into pricing power and volume upside in publicly funded infrastructure projects.
- The ETS link is critical: a credible, rising carbon price makes the low-carbon label commercially meaningful. Any weakening of ETS ambition, as debated in the parallel ETS review, would erode the IAA's demand creation effect for these names.

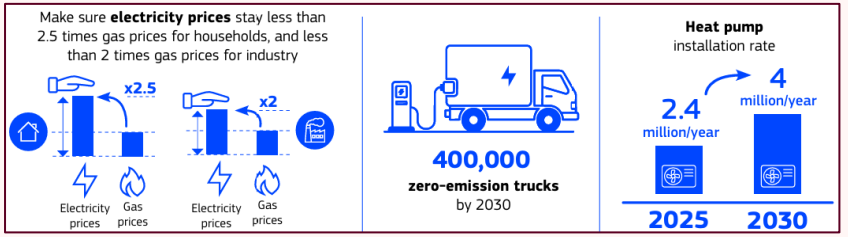
ELECTRIFICATION ACTION PLAN: DOUBLE ELECTRICITY'S SHARE OF ENERGY USE BY 2040; NO HARD LAW YET

What is new

- On 17 July 2026, the Commission published the Electrification Action Plan alongside the EU ETS Review as a joint package, reflecting their shared logic: more electrification reduces industrial fossil fuel combustion, which shapes the long-term demand trajectory for ETS allowances (EUAs).
- The plan aims to raise electricity's share of total energy use from 23% today to 46% by 2040. Notably, the Action Plan itself is a Commission Communication, which is primarily a strategic direction, and not hard law.
- In our view, the most concrete element of the package is the legislative proposal amending the Electricity Regulation, which is binding once adopted. It targets the most persistent barrier to industrial electrification: electricity costs significantly more than gas in most EU member states. The proposal requires member states to tax electricity at a rate no higher than gas, and sets a 2030 KPI of bringing the electricity-to-gas price ratio down to a maximum of 2.5 for households and 2 for industry.

Our view on potential Nordic impact

- The Electrification Action Plan is broadly constructive for Nordic power and grid-related exposures. The Nordics already generate the large majority of electricity from clean sources, and a structural EU push from 23% to 46% electrification by 2040 implies large-scale grid and electricity infrastructure buildout across the continent, including cross-border interconnection where Nordic companies are active.
- However, as a non-binding plan with no hard implementation timelines, near-term market effects are limited. The names and investment thesis here overlap substantially with the European Grids Package (see separate section below).



Sources: DNB Carnegie; European Commission



Green Deal tracker: European Grids package, H1-H2 2026

GRIDS PACKAGE: STRUCTURAL TAILWIND, THOUGH RISK OF DILUTED FORCE

Recap

Grid infrastructure is the principal operational bottleneck to the EU's energy transition. In electricity projects, permitting alone currently take 3.5–10 years.

The European Commission presented the European Grids Package in December 2025, with two concrete policies: **1) a revised TEN-E Regulation** (on cross-border interconnection), and **2) a new Permitting Directive** (on fast-tracking grid expansion – including a key 'tacit approval' mechanism, under which missed deadlines trigger automatic permit approval). The TEN-E is a Regulation, directly binding; the Permitting Directive requires national transposition and as such more flexible.

What is new: Council wants more autonomy for member states

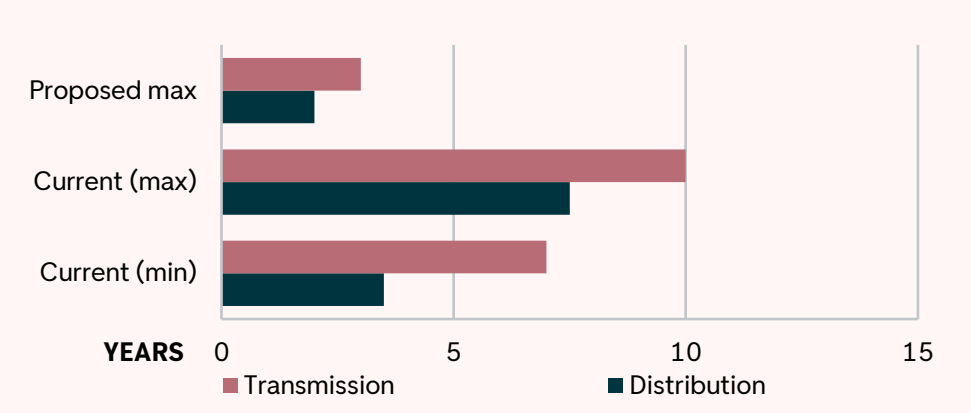
- On 26 June 2026, EU energy ministers agreed the Council's general approach on the Grids Package. Notably, the Council weakened the 'tacit approval' mechanism, making it optional rather than mandatory. It also shifted the central planning scenario from a delegated to an implementing act, giving member states a veto over EU-wide infrastructure planning parameters.
- The overall funding ambition stands: a fivefold increase in the Connecting Europe Facility for Energy (CEF-E), from €5.84bn (2021–2027) to €29.9bn (2028–2034), the primary public grant instrument. This figure is subject to the next EU budget, and should be read as political ambition rather than committed funding.
- The European Parliament is expected to adopt positions on both files by October 2026.

Our view: structural tailwind, though risk of diluted force

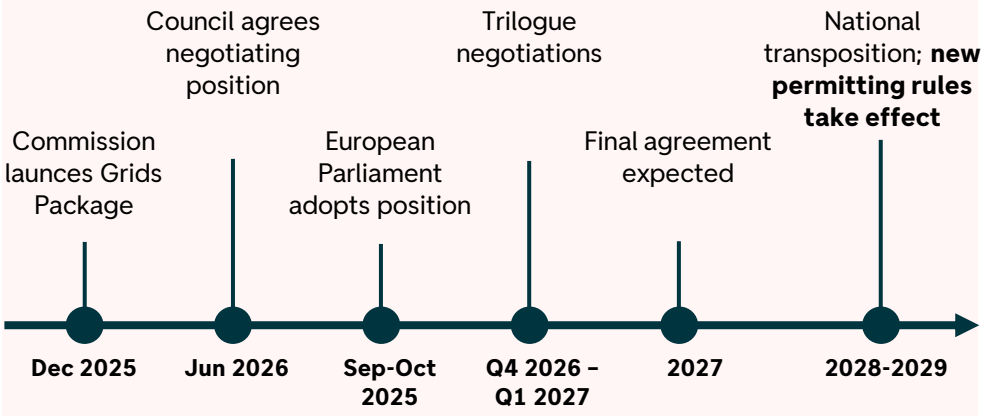
In short, the Grids Package is a structural tailwind across three Nordic equity sectors: wind developers (**Vestas, Ørsted, Scatec, Cloudberry**) could benefit from reduced permitting risk from 2029; equipment and cable manufacturers (**ABB, Nexans, NKT, Addtech, Lagercantz, Prysmian**) could gain from order book volume largely independent of trilogue outcome; and engineering consultants (**Sweco, Afry, Multiconsult, Norconsult**) from grid expansion advisory demand.

We believe, though, that the Council's weakening of the tacit approval mechanism is an early signal that binding enforcement may be further diluted. **The full permitting reform should not, in our view, be priced in until a final text is agreed.**

PERMITTING TIMELINES: CURRENT VS. PROPOSED MAXIMUM (YEARS)*



LEGISLATIVE TIMELINE



*) The current max/min years are from the European Commission's Impact Assessment (Dec 2025); The proposed max years are as proposed by the European Commission, but are suggested as non-binding by the European Council

Sources: DNB Carnegie; European Commission and European Council



Green Deal tracker: Circular Economy Act in H2 2026

CIRCULAR ECONOMY ACT: A NEW STRUCTURAL THEME FOR NORDIC MATERIALS

Recap: binding laws will be proposed to increase recycling

The Circular Economy Act (CEA) is the flagship new legislative initiative in the European Commission's 2026 work programme[1]. It aims to create a single EU market for secondary raw materials and to double circular material use rate from 12% today to 24% by 2030. The CEA will result in **binding laws** explicitly linked to industrial competitiveness, unlike earlier and far softer circular economy strategies that were framed as environmental policies. Laws will reduce EU dependence on imported virgin raw materials, cut feedstock costs for energy intensive industries and build domestic recycling capacity.

What to expect: CEA will be launched in Q3 2026

We focus on some areas of the EU's aim to reach a 24% materials use rate that have more legislative teeth than mere ambitions. Three *binding* laws are related to metals, electronics, packaging and plastics (and not, for instance, non-metallic construction materials).

- **Waste Framework and Landfill Directives.** The purpose is to harmonise end-of-waste criteria (e.g. definitions for 'Producer', 'Packaging' 'Recyclable' etc) across the Single Market. This determines whether and which recyclates can trade freely as commodities or remain trapped as by national waste law.
- **Waste Electrical and Electronic Equipment (WEEE) Directive.** As only 50% of all e-waste is collected (target = 65%), the WEEE will likely enforce collection and recovery rate targets – especially on critical raw materials such as copper, cobalt, rare earths and precious metals. Might change from Directive to Regulation, tightening enforcement.
- **Extended Producer Responsibility (EPR)**[2] increases the financial responsibility for producers of goods to manage those goods at end of life. Today, EPR is mandated by individual member states, as is *the* barrier for cross-border commerce. New EPR rules will include e.g. common EPR-registration and EPR-fees (supported by several Nordic companies).

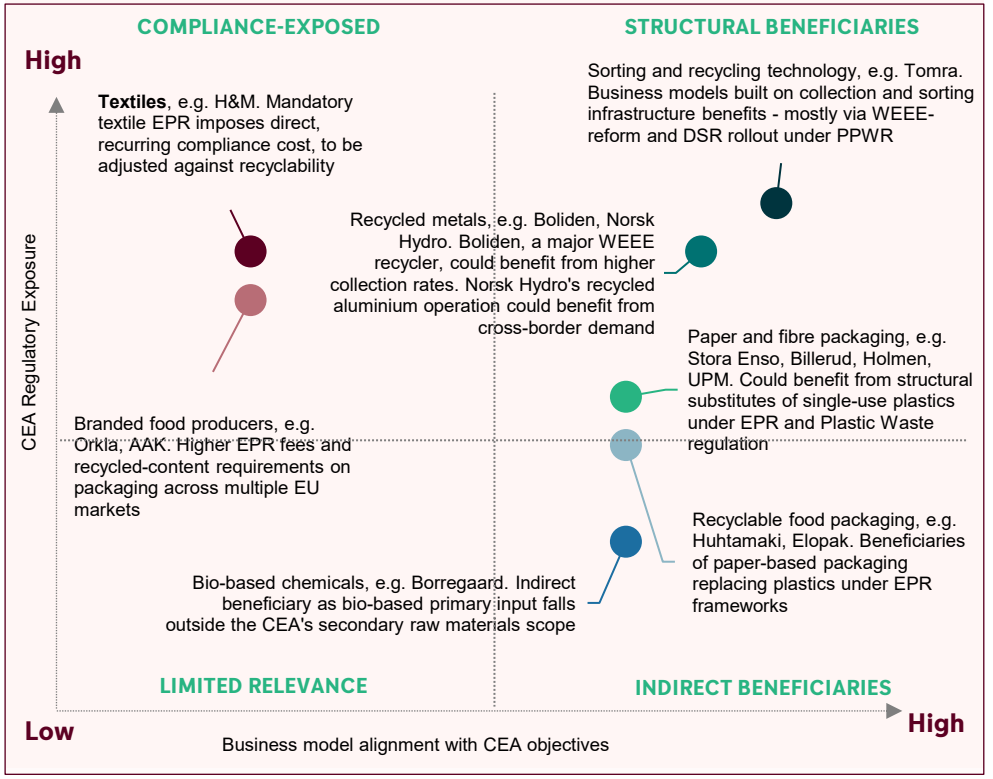
In addition, the CEA is likely to promote ambitions and plans related to:

- **Recycled content targets beyond plastics**, such as for textiles. Targets for metals/non-ferrous metals are more unlikely given strong lobby and political opposition.
- **Mandatory green public procurement,** enforcing governments, as the largest class of buyers in the EU economy, to include a green share in all public buying.

OUR VIEW: WHY IT MATTERS FOR NORDIC MARKETS

Existing Nordic efficient waste infrastructure might limit domestic recycling flow, but should create a market opportunity since Nordic companies supply technology, processing infrastructure and materials that the EU needs to meet CEA targets. The investment case depends on EU regulatory delivery: weak WEEE or EPR targets in the final text reduce the Nordic upside proportionally.

Nordic sectors – impact of Circular Economy Act



1) The Circular Economy Act is positioned under the EU Clean Industrial Deal and the Competitiveness Compass; 2) EPR harmonisation at the EU level is also progressed through the Environmental Omnibus (Omnibus VIII), however in June 2026, the Council agreed to defer EPR-specific provisions to the CEA.
Sources: DNB Carnegie; European Commission



Green Deal tracker: Packaging and Packaging Waste Regulation (PPWR), H1 2026

PPWR NOW LAW: EU SENDS PACKAGING PACKING

Recap

Currently, 40% of plastics and 50% of paper used in the EU go into packaging, generating approximately 190 kg of packaging waste per person per year. The previous EU Packaging and Packaging Waste Directive, dating from 1994, allowed 27 different national interpretations – divergent symbols, registers and reporting obligations that fragmented the single market for circular packaging. The PPWR replaces it with one harmonised set of requirements that applies directly and uniformly across all EU member states. As a Regulation rather than a Directive, it is EEA relevant and applies to Norway without national transposition.

What is new

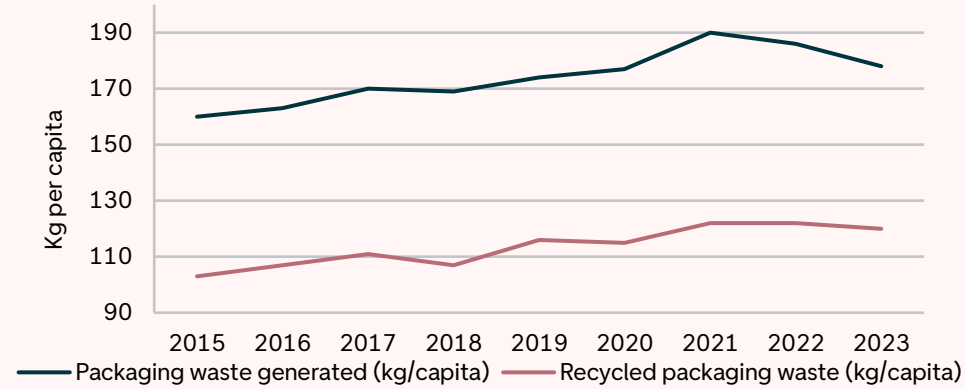
The Packaging and Packaging Waste Regulation entered into force in February 2025, with rules applying on a phased basis from 12 August 2026:

- **From 12 August 2026**: PFAS in food-contact packaging are banned above certain thresholds; heavy metal limits apply; manufacturers must add a unique identifier to each unit; and conformity assessment and an EU Declaration of Conformity become mandatory.
- **From 2029**: Member states must implement **deposit return systems (DRS)** for single-use plastic bottles and metal cans, targeting 90% annual collection. Countries demonstrating an 80% collection rate by 2026 may apply for flexibility, subject to a credible plan to reach 90% by 2029.
- **From 2030:** All packaging must be recyclable (grade A, B or C). Minimum recycled content targets apply to plastic packaging; restrictions on certain single-use formats take effect. The ban covers single-use plastic only (paper was excluded from the final text, reversing the original Commission proposal).
- Waste reduction targets require member states to cut packaging waste per capita by 5% by 2030, 10% by 2035 and 15% by 2040 against a 2018 baseline. EPR fees will be calibrated to recyclability grades; cross-border EPR harmonisation is deferred to the Circular Economy Act (see separate section).
- The final regulation is less stringent than the 2021 Commission proposal: **binding reuse and refill targets were substantially weakened in favour of recyclability.**

OUR VIEW: AUGUST 2026 OBLIGATIONS MATTER FOR NORDIC MARKETS

- **Packaging producers and converters (potential tailwind)**. The ban on single-use plastics, but not paper, is a structural positive for Nordic fibre-based producers. **Billerud, Metsa Board, Stora Enso** have substantial exposure to sustainable fibre-based packaging; **Huhtamaki** faces minor near-term headwinds from the plastics phase-out but is well-positioned longer-term as the ban opens growth for fibre-based solutions. PFAS restrictions further disadvantage fossil-based alternatives, as does increasing restriction on single-use plastics for **Elopak**'s carton-based formats.
- **Recycling and sorting infrastructure (mixed)**. **Tomra**'s DRS technology aligns directly with the PPWR's collection requirements, and higher recyclability standards drive sorting volumes. However, the DRS exemption for countries achieving 80% collection by 2026 introduces meaningful downside risk: France, Italy and Spain have resisted DRS implementation on cost grounds, and if they do not commit before end-2026, rollout could begin as late as 2028 - leaving countries representing over 50 million inhabitants outside the system for several years.
- **Branded goods and food companies (compliance cost)**. **Orkla, Axfood** and peers face near-term costs from multi-country EPR registration, conformity documentation and PFAS reformulation.

EU wants to close the gap between production –and recycling of packaging waste[1]



Sources: DNB Carnegie; European Commission; Eurostat, 2026. Note 1) Packaging statistics runs approx. 22 months behind reference year.



Green Deal tracker: Energy performance in Buildings, 2026

ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE (EPBD): ON TRACK IN THE EU

Recap

The revised EPBD (law in May 2024), is the EU's central instrument for decarbonising the building stock, which accounts for approximately 40% of EU energy consumption and 36% of energy related greenhouse gas emissions. Member states had until 29 May 2026 to transpose the directive into national law. In the Nordics, Sweden is furthest along in implementation.

What is new and potential market impact

- The 29 May 2026 transposition deadline has passed without full compliance. The European Commission has thus sent letters of formal notice to all 27 EU member states for failing to formally notify complete transposition, including Sweden. Infringement letters do not halt implementation in practice but create legal uncertainty and signal the Commission is enforcing the directive seriously.
- **In Sweden**, Boverket published updated building regulations in January 2026, covering energy management and energy declarations, and has identified building types requiring renovation to meet the 7.8% by 2030 and 15% by 2033 thresholds. From a portfolio standpoint, **Entra**, **Catena**, **Fabege** and **Hufvudstaden** carry the lowest share of property stock requiring upgrade, while **Sagax**, **Corem**, **Castellum** and **Balder** face the largest exposure. On the supply side, **Bewi**, **Systemair**, **Lindab**, **Rockwool, Fagerhult** and **Fasadgruppen** are best placed to capture renovation driven demand.
- **In Norway,** the situation remains unresolved. Over 300 consultation responses are being assessed by the Ministry of Energy. Norway has moved closer to defining its 'top 15% threshold (i.e. what 'green' means for financing process). But thresholds for worst-performing buildings (the key variable determining capex liability) remain unpublished. This matters since approximately half of Norwegian commercial real estate carries an energy label of E or lower, and until thresholds are set, the full scope of required investment cannot be quantified.
- The Commission published a recommendation on 10 March 2026 on one-stop shops for building energy renovation financing. **National renovation plans are due by 31 December 2026.**

OUR VIEW: WHY THIS MATTERS FOR NORDIC FINANCIAL MARKETS

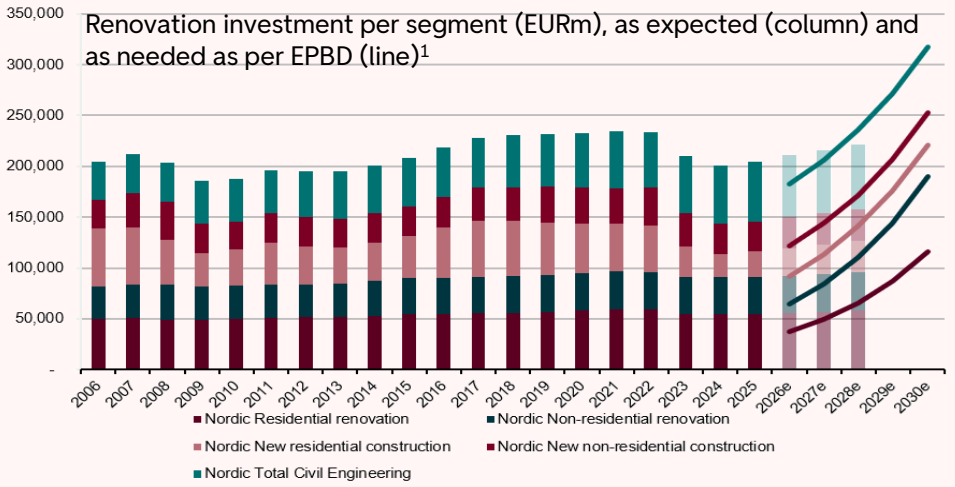
For Nordic real estate companies, the EPBD remains the primary medium-term capex driver. Those with newer, energy-efficient portfolios, e.g. **Entra, Catena, Fabege, Hufvudstaden**, are better placed than those with older stock requiring significant upgrade, e.g. **Sagax, Corem, Castellum, Balder**.

For construction, consulting and energy efficiency suppliers, e.g. **NCC, Veidekke, Sweco, Norconsult, Multiconsult, Afry, Rockwool, Systemair, Nibe, Lindab, Fagerhult, Fasadgruppen, Bewi**, the EPBD-driven renovation wave represents a structural multi-year demand tailwind, albeit realising more slowly than originally planned.

What to watch

A key variable remains Norway: the Ministry of Energy's assessment of the consultation responses, and the eventual publication of worst-performer thresholds, is the critical pending event for Norwegian commercial real estate valuations. We continue to monitor this closely, as well as the national renovation plans due by 2026.

Nordics: Current investment outlook shows sector still not on track



Sources: 1) DNB Carnegie; Euroconstruct 2027e outlook



Green Deal tracker: Deforestation regulation, H1-H2 2026

EUDR: SIMPLIFICATION FINALISED. DECEMBER 2026 DEADLINE HOLDS

Recap*

The EUDR requires that palm oil, soya, wood, cocoa, coffee, cattle and rubber products placed on or exported from the EU market are: (i) deforestation free and traceable to plot level, with no deforestation after 31 December 2020; (ii) compliant with production country legislation; and (iii) covered by a due diligence statement (DDS) submitted to the EU Information System. Operators bear full responsibility for compliance and traceability.

What is new: simplifications to secure 2026-implementation deadline

- **Simplification package, 4 May 2026**. The Commission published updated guidance, revised FAQs, a draft Delegated Act on product scope, and updated Information System specifications. Estimated to cut annual compliance costs by c75% versus the original framework, primarily through streamlined due diligence for low-risk sourcing.
- **Delegated Act adopted 13 July 2026**. Scope changes: cattle leather and retreaded tyres removed; soluble coffee and palm oil derivatives added. Waste, second-hand products, and test samples explicitly excluded. The Commission has confirmed the EUDR will not be reopened.
- **Deadlines confirmed**: 30 December 2026 for large and medium operators; 30 June 2027 for micro and small operators. The Information System relaunches summer 2026.
- **Country risk classification unchanged**. Low risk: EU, US/Canada, China. Standard risk: Brazil, Indonesia. High risk: Belarus, Myanmar, North Korea, Russia. No 'negligible risk' exemption has been introduced; core due diligence obligations apply for all.
- **The political drag is over.** Trading partner pressure (Brazil, Malaysia, Indonesia) shaped the simplification package but did not restructure the law. The regulatory frame is closed.

Market impact.

- **Costs down, obligations intact.** The c75% compliance cost reduction is material, but the core architecture — plot-level traceability, DDS submission, operator accountability — is unchanged. Non-compliance penalties remain up to 4% of annual turnover. The July Delegated Act is the final legislative signal; companies in wait-and-see mode should move to implementation.
- **Scope changes matter for specific sectors.** With retreaded tyres and cattle leather out, exposure is reduced for automotive and fashion supply chains. With palm oil derivatives in, scope expands beyond crude palm oil to processed inputs across food, personal care, and chemicals. Soluble coffee in is a new compliance item for commodity traders and food processors.

Nordic effect: Limited, with targeted adjustments

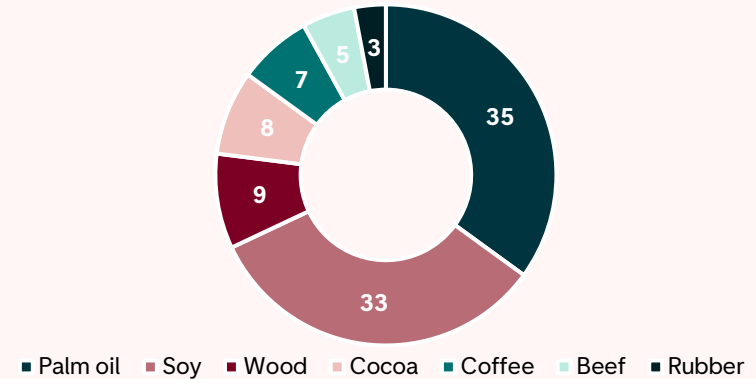
In our view, overall Nordic exposure is manageable as most affected Nordic companies have built traceability systems ahead of the curve. The December 2026 deadline is firm; further delay is not a credible basis for deferring implementation investment.

In tyres, retreaded tyres are explicitly out of scope – eliminating the rubber-import compliance exposure previously flagged (e.g. **Nokian Tyres**).

In food and oils, the addition of palm oil derivatives expands the compliance perimeter for plant-based oil processors and branded food companies (e.g. **AAK, Orkla**). Although key Nordic companies have existing supplier certification programmes for EUDR products, they must ensure that also newly in-scope *derived* products are covered (from Dec 2027).

In forestry, obligations are unchanged and leading Nordic producers remain well-positioned given advanced traceability infrastructure (e.g. **Holmen, SCA, UPM**). EUDR becomes more an administrative challenge, rather than an environmental one, particularly for small private forest owners, whose wood is blended across many harvest sites in pulp supply chains, making plot-level traceability hard in practice.

Share of EUDR goods on global deforestation when consumed in the EU[1]



*) Please see previous our Green Deal Trackers and News Comments for further details on purpose and content of EUDR.
Sources: European Commission; European Council



Green Deal tracker: SFDR 2.0 negotiations continue

SFDR 2.0: BROAD POLITICAL AGREEMENTS; TRILOGUES EXPECTED Q4 2026

Recap

The Sustainable Finance Disclosure Regulation (SFDR) has governed sustainability disclosures by EU financial market participants (FMPs) since Q1 2021. Its Article 8 and Article 9 product categories have reshaped the European fund market: these two categories now account for approximately 60% of all EU funds, and the EU hosts around 85% of global categorised sustainable fund assets. However, SFDR has faced persistent criticism for complexity, inconsistency and greenwashing risk, as fund managers were left to self-define 'sustainable investment'. The Commission's November 2025 SFDR 2.0 proposal launched a formal overhaul.

What is new: SFDR 2.0 has advanced through all three EU institutions

The key changes and negotiation points to be settled in 2026 are:

- **Simplified disclosures.** Removal of the required disclosure of entity-level Principal Adverse Impact (PAI), which is mandatory for asset managers with >500 employees – and criticised as too burdensome, while not creating significant value-add. However, at the fund level, there is a maintained requirement to identify, disclose and explain actions related to PAI, whose purpose is to assess material ESG risk.
- **'Sustainable investment' removed.** As a screening criterion, 'sustainable investment' is removed due to the consensus that it caused confusion as fund managers are left to define 'sustainable investments' themselves. Investors will instead assess investments against detailed exclusion and positive contribution criteria, summarised below.
- **Three new categorisations for funds deemed sustainable.** 1) ***Transition*** **(Art 7)** – Portfolio of investments not yet sustainable, but on a credible transition path; 2) ***Basic ESG*** **(Art 8)** – Portfolio of investments that integrate ESG criteria, but do not meet the Transition or Sustainable criteria; and 3) ***Sustainable*** **(Art 9)** – Portfolio of investments proved to contribute to sustainability goals.
- **Maintained basic ESG risks assessment for all.** All financial products are subject to ESG risk assessment as "all products /financial market participants […] must disclose how sustainability risks are integrated in the investment decision process when relevant, as well as the results of the assessment of the likely impacts of sustainability risks on the returns of the products" (Art 6).
- **Regulatory coordination:** SFDR 2.0 promotes read-across and coordination with existing measurable screening standards, namely the EU Taxonomy, EU Climate Transition benchmarks (CTB), EU Green Bond Standard (EU GBS), EU Paris-aligned Benchmarks (PAB) and ESMA Guidelines. This should improve the collective market understanding of sustainability targets and corporates' delivery on them.
- **15% (or 20%) Taxonomy aligned criteria.** To encourage the use of the Taxonomy in particular, fund products with ⩾15% or more invested in Taxonomy aligned assets are considered to meet the 70% positive contribution criterion in the Sustainable (Art 9) and Transition (Art 7) categories. In our view, reaching the 15% threshold is challenging for funds. Most current Art 9 funds have an approximate 10% Taxonomy alignment share.
- **Defence is reframed, in parallel:** A Delegated Regulation (from 30 June 2026) formally reframes defence as compatible with EU sustainable finance, and strict but more narrow conditions.

Market impact: Positive long-term, short-term administrative burden

During the negotiation and implementation phases (2026–27, the EU estimates), we believe in-scope investors and funds will face: 1) administrative changes, likely significant for those with numerous funds and complex ESG screening based on ESG data (due to reduced reporting requirements); and 2) adjustments to fund holdings in most cases – but particularly those sustainability angled. Notably, however, Nordic investors we talk to as well as European regulators and the EFAMA (the European Fund and Asset Management Association) stress clear longer-term benefits such as improved calibration with other capital markets' legislation (including Mifid/IDD and CSRD) and consumer readability.

Market impact: Reclassification may change proportion of sustainable funds[2]



Sources: 1) European Commission, 20 November 2025. Legislative proposal to review the Sustainable Finance Disclosure Regulation (SFDR); 2) Morningstar, 27 November 2025. SFDR 2.0 in Figures: Impact Analysis



Green Deal tracker: Omnibus 1 is now law

OMNIBUS 1: EU'S ESG REPORTING SIMPLIFICATIONS AGREED

Recap

In February 2025, the EU proposed the anticipated 'Omnibus' regulation. Omnibus means a joint recast of several existing regulations, in this case easing sustainability disclosure: EU Taxonomy, Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CS3D). The purpose is disclosure simplification and eased administrative burdens for European corporates (especially SMEs) so that they prioritize competitiveness as recommended by the 2024 Draghi report.

What is new: simplified CSRD entered into force March 2026

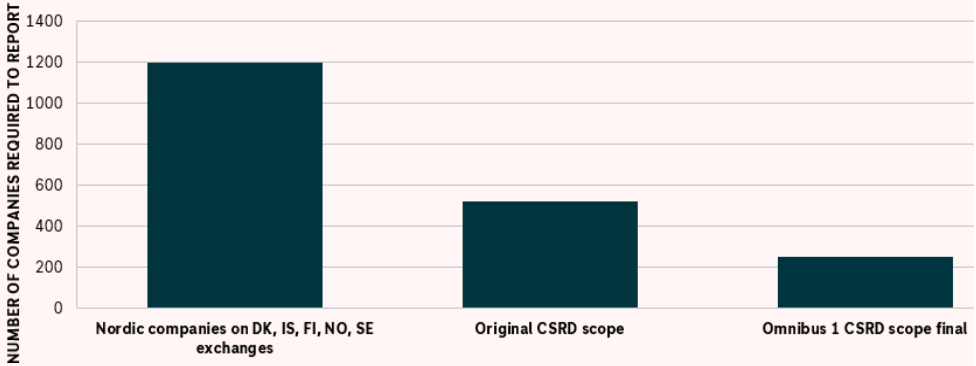
In March 2026, the following entered info force, applicable from 1 January 2027, for companies >1000 employees and >€450m turnover:

- **Significantly lower reporting burden:** Estimated reduced reported data points by ~64% for non-financial companies and ~89% for financial institutions.
- **No sector-specific standards:** The planned sector-specific European Sustainability Reporting Standards (ESRS) are deleted, meaning companies will report solely on general, sector-agnostic ESRS.
- **Voluntary reporting for SMEs:** Based on new voluntary reporting standard (VSME).
- **Value chain cap:** Limiting the amount of data large companies can request from smaller suppliers/companies, i.e. those below the threshold.
- **Stronger focus on financial materiality:** Companies are no longer required to assess Taxonomy eligibility or alignment for activities that are not financially material (defined as <10% of revenue, capex or opex). This allows reporting and capital allocation to focus on core business activities and transition-relevant investments.
- **Greater flexibility for financial institutions:** Financial assets representing <10% of loans and investments may be excluded from detailed Taxonomy assessment and postpone EU Taxonomy reporting until end-2027, provided they state that they do not claim Taxonomy aligned activities or products.
- **Nuclear and gas reporting streamlined:** Separate reporting requirements are removed. These activities are disclosed only if financially material.
- **Simplified DNSH disclosures:** Reporting on pollution prevention and chemicals is streamlined by narrowing the scope of substances covered.

Market impact: Positive outlook, but lack of data matters

By and large, European companies have welcomed the Omnibus 1, claiming it will ease the administrative burden and improve clarity and consistency. However, lack of data might complicate matters. By reducing the amount of data companies must collect and disclose, some investors, particularly those regulated under the SFDR (see below) and thereby rely on ESG company data, argue that compliance and ESG assessment will be a challenge and based on estimates – potentially reducing the accuracy of ESG risk assessment.

In practice, as seen below, for Nordic large listed companies (c1200 in total), the number of companies with CSRD reporting requirements will be reduced by roughly 50%[1].



Agreed timeline and in-scope thresholds for CSRD as proposed by the Omnibus 1[2]

Entity	Threshold	FY 2025 - Reporting in 2026	FY 2026 - Reporting in 2027	FY 2027 - Reporting in 2028	FY 2028 - Reporting in 2029	FY 2029 - Reporting in 2030
Listed EU PIEs; those previously reporting	>1000 employees & >€450m turnover	Above threshold: normal reporting				
		Below threshold: voluntary reporting				
All other large EU companies; those not previously reporting	>1000 employees & >€450m turnover			Above threshold: normal reporting		
				Below threshold: voluntary reporting		
Listed SMEs		Only voluntary reporting				

Next milestone: The September 2026 revised ESRS delegated act is the next operative milestone for companies finalising their 2027 reporting frameworks

Sources: 1) DNB Carnegie (assesment), Bloomberg (underlying data); 2) European Commission.

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