Danske Bank

26 February 2026

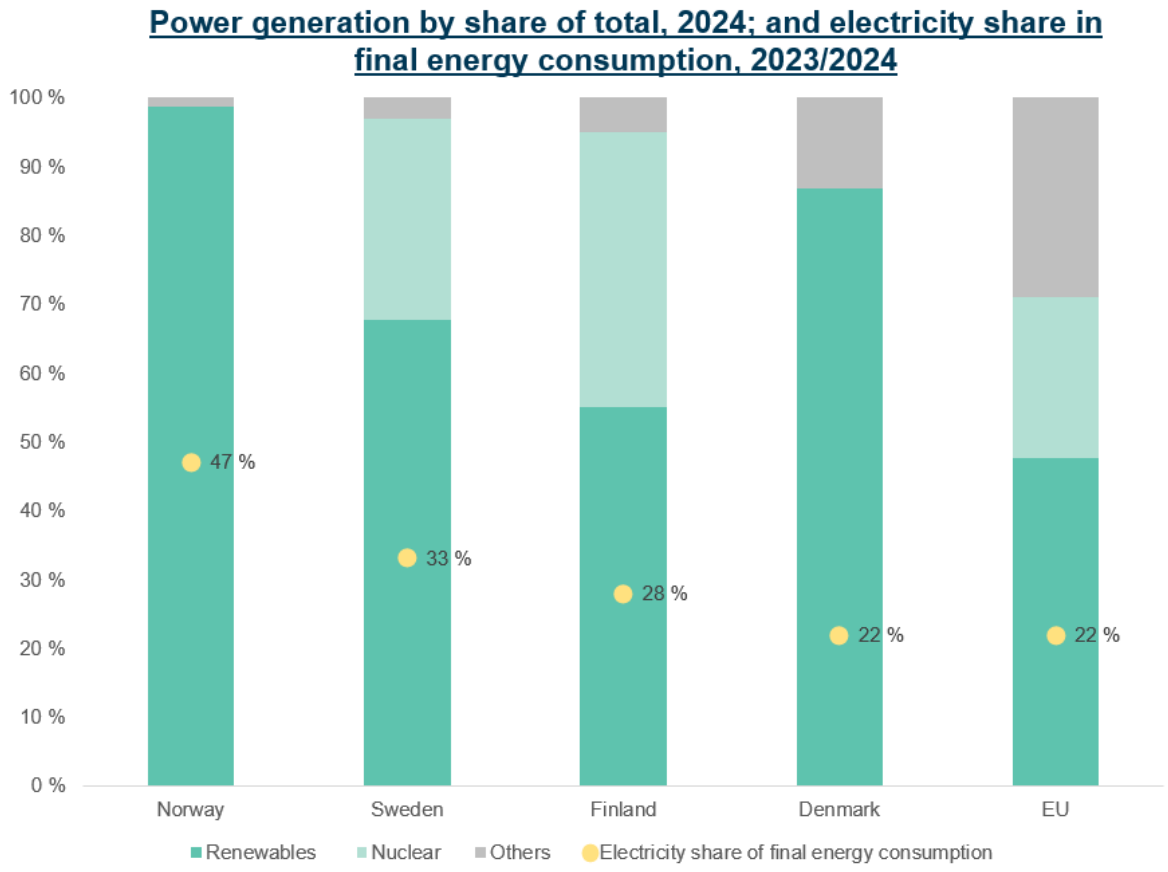
- ***In focus:*** *European ambitions to strengthen energy security and boost competitiveness seem to emulate the Nordic combination of clean electricity, higher degrees of electrification and low power prices. That said, with natural gas often setting the marginal power price in continental Europe, it is not a straight road to price competitiveness. Low Nordic power prices and carbon footprints are therefore set to remain key competitive advantages for the region, as it is eyeing up new ways to leverage its cheap electricity to create value. Unlocking such potential appears to require overcoming a fundamental supply and demand chicken and egg dynamic, however. Building new power generating capacity is important to convincing industry that power prices will remain competitive over time. Renewables developers, on the other hand, require certainty that new demand will materialize to ensure that new power is needed and that power prices can support investment cases.*

- ***Sustainable products update:*** *Airport operators take off the year with sustainably-labelled bonds.*

- ***In briefs:***
  - *ECB penalises Crédit Agricole EUR7.55 million for climate risk non-compliance.*
  - *Over USD200 million raised for New Maritime Decarbonization Fund.*
  - *UK banks face mortgage risk as flood damage hits homes.*
  - *The European Council has given its final approval to the Omnibus package.*
  - *China's CO2 emissions have now been "flat or falling" for 21 months according to Carbon Brief analysis.*

In focus: Competitive Nordic electricity potential dampened by supply and demand challenges

Expanding the supply of clean electricity and its consumption through electrification is key to European aims to ensure more competitiveness and resilience. The logic is that this would lead to a significant reduction in fossil fuel imports – boosting energy security – and increased competitiveness through cheaper, more efficient and cleaner use of energy. In essence, this means an aim to mirror Nordic energy markets more closely, considering their clean electricity, higher degree of electrified energy-end use and relatively low power prices (see graph below).



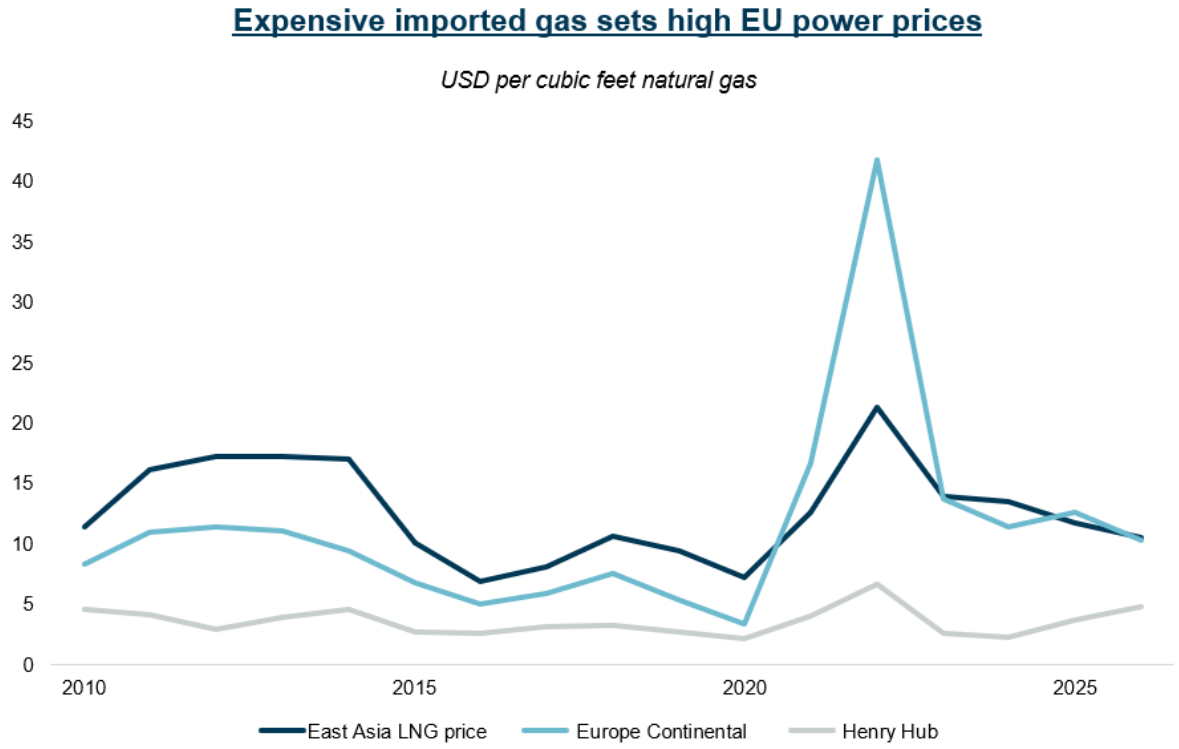
**Denmark has a lower share of electricity due to district heating playing a bigger role and there being limited energy-intense industry. Source: Ember, IEA, Enerdata*

Nordics (mostly) competitive from a power price perspective

From an EU perspective, steadily rising shares of renewable energy is not automatically translating to the low power prices evident in the Nordics, however. Due to wind and solar intermittency, it is the cost of marginal power generation (the last plant to meet demand) that tend to set the power price – often gas power. Over

the crisis year of 2022 when gas prices were extortionately high (see graph below), gas set the power price 55% of the time despite only being 20% of total power generation.

With American LNG increasingly key to offsetting Russian gas – the spread between US and EU gas prices plus transport logistics plays a more key role in setting EU power prices (see graph below). This makes electricity prices significantly less competitive in EU than in competitors US and China (see graph with power prices below). High gas and power prices in continental Europe have dramatically hit industry in countries like Germany – where heavily subsidised industry electricity prices are being discussed.

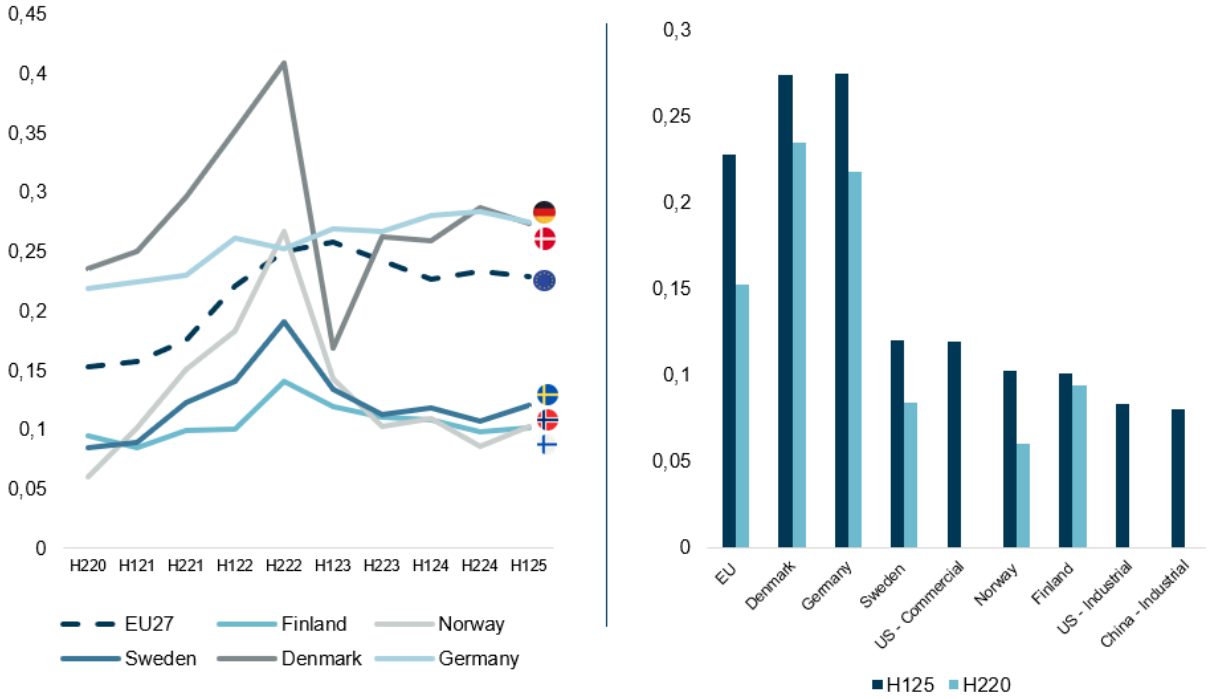


**Europe continental = TTF. Source: Eurostat, Rystad, EIA*

In contrast, the Nordics remains a haven of power price competitiveness made possible by affordable clean electricity. Norway, Sweden and Finland have non-household electricity prices on par with those seen in the United States and China (see graph below), and the price select industry pays is likely significantly lower than this average price. Crucially, transmission interconnection capacity to continental Europe is also limited enough to curb price convergence between low Nordic and high European power prices. This is less the case for Denmark, which is more connected to continental Europe relative to a power consumption that is significantly smaller than Nordic peers. Wind power also makes up a very large share of power Danish generation, meaning gas power often sets the marginal power price.

Finland, Norway and Sweden competitive, also when considering US and China

Non-household electricity prices, inc. taxes and levies, EUR/kWh



**Based on six-month averages across bidding zones/power systems. Source: Eurostat, Energy Information Administration, China briefing. USD to EUR conversion = 0,91 based on H125 average. Chinese power price already converted to USD by China Briefing.*

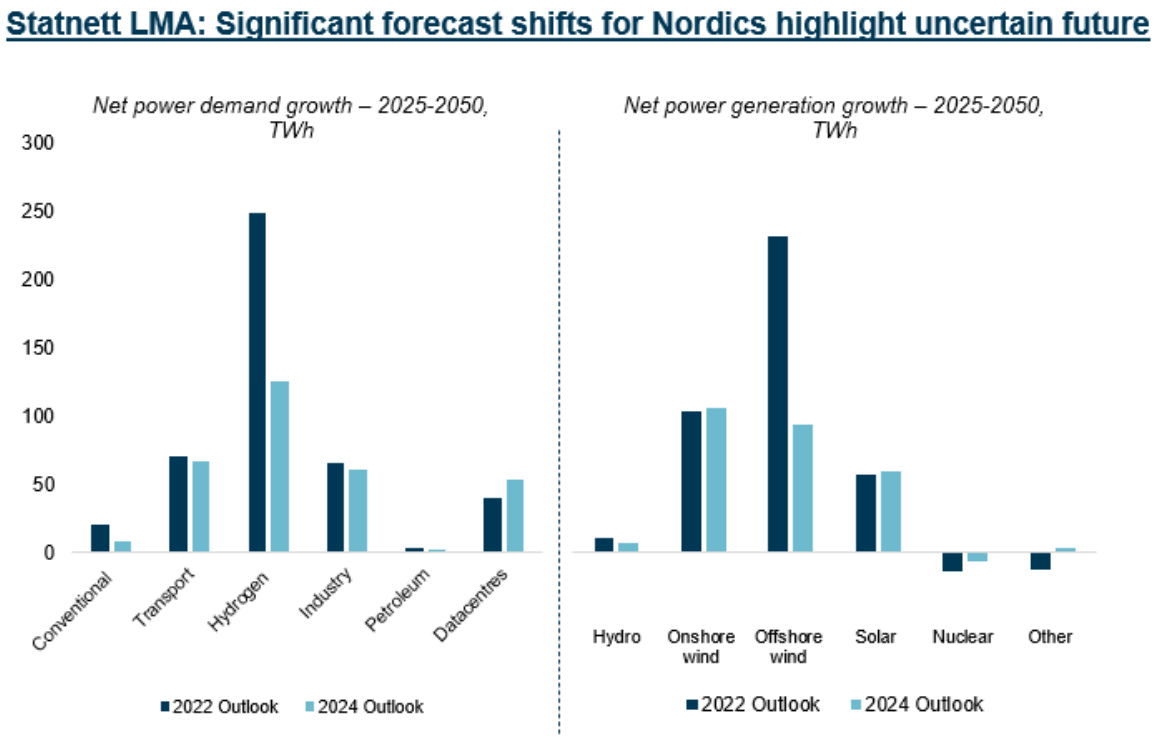
Nordic demand outlook – competitive power but struggling to boost demand

From the perspective of Norway, Sweden and Finland, the low power price and carbon footprint is a source of competitiveness and industrial opportunity compared to EU and non-EU competitors. Historically, the availability of amortised baseload hydropower and nuclear has been the backbone of industries converting the power to value-added products, such as Norway's energy-intense aluminium production co-located with flexible hydro. Industrial opportunity 2.0, if you like, targets new energy-intense industrial ventures such as hydrogen and hydrogen derivative production, battery manufacturing and datacentres. The logic is to put cheap clean surplus energy to use to expand Nordic industry and value add, as opposed to either wasting it at home or exporting it abroad.

Nordic clean energy coupled with mineral resource availability means the region is well-positioned to be a catalyst for Europe's push to increase value chain control. However, Northvolt's failed aggressive bet on battery manufacturing – which is complicated and utterly dominated by China – has posed broader questions about the scope for rapid industrial scale ups in unfamiliar or untested technology. Stegra's flagship plans to use green hydrogen for steel production, and funding challenges in October 2025, also highlights the added risks involved with frontrunners.

To showcase the uncertainties in modelling future demand, particularly from the hydrogen segment, Norwegian TSO Statnett's long-term market analysis (LMA) offers a good example. The 2022 LMA projected nearly 250TWh of net growth in Nordic power demand from hydrogen production between 2025 and 2050, informed by strong regional and EU ambitions for the segment – such as the REPowerEU plan from 2022 (see graph below).

Fast forward to the 2024 LMA, and demand growth was halved to 125TWh due a host of project cancellations over commercial feasibility concerns (still nearly four times Danish power consumption). Hydrogen remains a segment driven by regulatory requirements and state support due to its potential role in boosting European energy security and decarbonisation. That said, high costs – in large part due to unavoidable process energy losses - might push hydrogen demand to the margins in a Europe struggling with high energy costs.



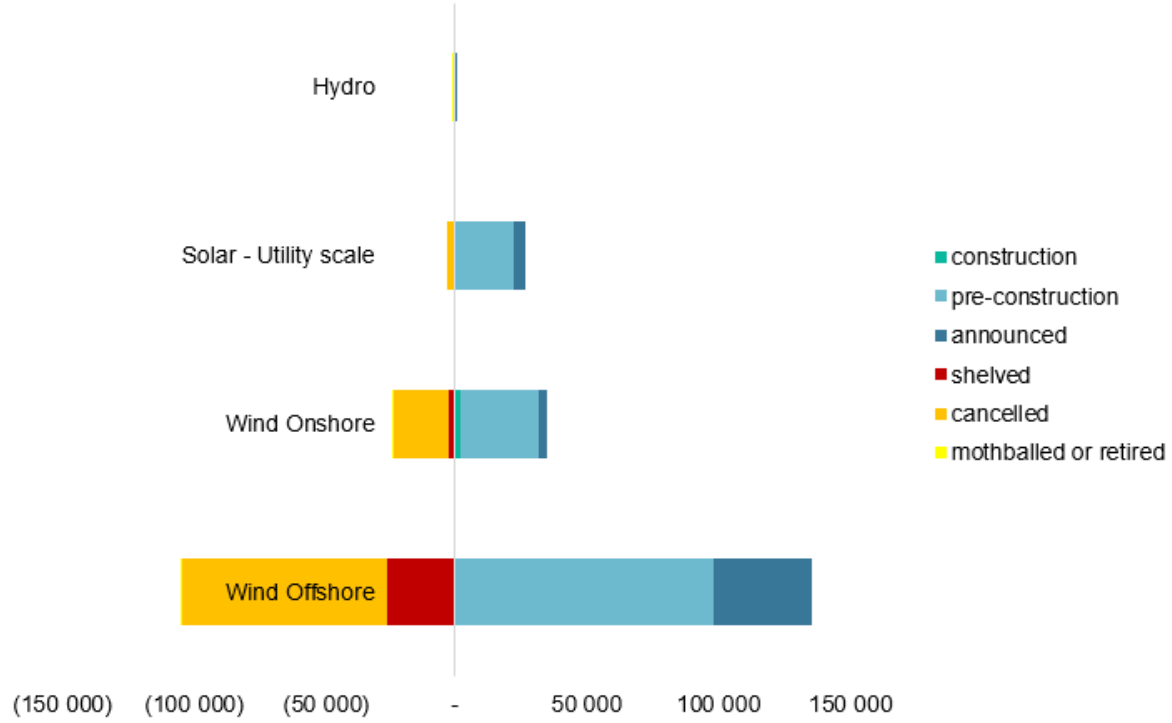
Source: Statnett

Forecasting strong power demand from new industry with high certainty in the Nordics is difficult – despite the clear opportunities on offer from low power prices. Recently, the focus has become building datacentres to ride the AI wave. Datacentres are likely willing to pay premiums for power. That said, should these come in direct competition with existing industry dependent on low power purchase agreements (PPAs), siphon off value created to headquarters in Dublin, offer limited jobs – and at the extreme generate cat videos – the datacentre journey may also be fraught with obstacles eventually. It would likely trigger bigger questions on how the Nordics should leverage its clean energy advantage.

Nordic power generating capacity expansion face multiple headwinds

Uncertainties over future demand feed concerns over whether building new power generation capacity is sensible. When an explosion in power demand over the coming decades was forecasted in the late 2010s early 2020s, weak long-term capacity growth was highlighted as the big problem – especially in Norway. With strong demand growth possibly in question, the capacity outlook faces an additional hurdle. According to Global Energy Monitor, few utility-scale Nordic renewables projects are in the construction phase – and either exist in early stages of development, are shelved or cancelled altogether. The one exception appears to be solar power, which registered strong growth in Denmark and Sweden over 2025.

Renewable energy capacity additions status in the Nordics (MW, as of Feb 2026)



**Including utility-scale projects bigger than 45MW. Source: Global Energy Monitor*

A challenging capacity growth outlook can be rooted to several obstacles. Negative power prices is a particularly acute problem in Sweden and Finland that is intertwined with demand expectations. At present, Sweden's SE2 bidding zone and Finland (its own bidding zone) had Europe's highest and second highest amount of negative power price hours in the first half of 2025, driven by intermittent wind power generation. In Finland, wind power capture prices are estimated to have dropped from 90% in 2019 to 65% in 2024 – weakening the attractiveness of new projects. More demand, more demand flexibility and grid interconnectivity is key to addressing the problem.

Local opposition is also rife in the onshore wind sector. In Sweden and Norway, local opposition to onshore wind farms have led to what in effect is a moratorium for new developments in Norway – while 90% of new projects were vetoed by municipal authorities in Sweden between January and September 2025. In Sweden, there are accordingly concerns of a very weak project pipeline post-2027, while in Norway onshore wind has not added any new power generation since 2022. Getting local populations re-invested in onshore wind is an uphill battle.

On the offshore wind side, large ambitions – such as those at North Sea Summit II - are difficult to match with real world progress. Denmark had to rebalance its offshore wind tender launched in November 2025, after no bids were received in the 2024 tender due to incentives on offer not considered good enough by developers. In Sweden, the cancellation of 13 wind farms over security concerns in 2024, coupled with a challenging wind power market outlook lead a developer such as Eolus to take impairments on its offshore wind projects in Sweden and Finland in January – while developer OX2 exited offshore wind in September 2025. In Norway, discussions over whether high subsidies should be allocated offshore wind, therein floating, are dominating the energy agenda. In short, while offshore wind power can deliver significant new power – failed tenders, policy uncertainty and long lead times make it hard to bank on significant new growth, at least until well into the 2030s.

A new Nordic industrial adventure must overcome supply demand challenges

It appears that unlocking Nordic potential will require overcoming a very fundamental supply and demand chicken and egg dynamic. On the demand side, it already not easy to deliver the new industry that requires significant clean power. Added on top, investor confidence is weakened by concerns that power prices will increase due to limited progress in building new power generating capacity. From the renewable energy developer's perspective, concerns over new demand not materialising and protracted low power prices weakens the investment case for new power generating capacity. While cheap clean power is a strong Nordic competitive advantage, putting it to productive use while ensuring its stays cheap will be a key job of politicians, regulators, developers and industry towards 2030 and beyond.

Sustainable products update

Airport operators take off the year with sustainably-labelled bonds

The past month stood out with two sustainably-labelled issuances from airport operators, Swedavia and Aeroporti di Roma, marking significant milestones in the sector's journey towards decarbonisation.

Swedavia, owned by the Swedish state, issued its first green bond under its newly updated framework, with Danske Bank acting as sole green bond structuring adviser. As a global leader in contributing to the decarbonisation of the aviation sector, Swedavia achieved fossil-free operations in 2020 and aims to enable fossil-free domestic air travel by 2030, leveraging existing Swedish biofuel production, which can meet current demand without requiring any infrastructure changes. Swedavia's updated framework expands the scope of the green categories, strengthens green criteria, and increases Taxonomy alignment. In the near term, categories such as Green Buildings, Clean Transportation, Renewable Energy, and Energy Efficiency are expected to dominate its green portfolio. Swedavia's green bond issuance saw strong investor demand, with the order book twice oversubscribed.

Meanwhile, Aeroporti di Roma (ADR) returned to the market with a Sustainability-Linked Bond (SLB), the first SLB issued by a European issuer in 2026. Despite a shrinking SLB market, ADR's issuance demonstrates the continued appeal of the structure for issuers and investors alike. The bond is linked to reducing scope 1 and 3 emissions, as well as scope 3 emissions associated with aircrafts' landing and take-off cycle by 2030, with a potential step-up of 75 bps if targets are missed. The market response was positive, with the bond oversubscribed by 3.4 times.

Both issuances highlight the growing emphasis on sustainable financing within the airport sector, paving the way for impactful change in an industry undergoing significant decarbonisation efforts.

In brief:

- **ECB penalises Crédit Agricole EUR7.55 million for climate risk non-compliance**. The European Central Bank has imposed periodic penalty payments amounting to EUR7,551,050 on Crédit Agricole for failing to meet the materiality assessment requirement for climate-related and environmental risks by the deadline of 31 May 2024. The bank fell short for 75 days, prompting the enforcement measure. This decision reflects the ECB's ongoing efforts to ensure banks properly assess and manage C&E risks, with progressively intrusive supervisory measures introduced since 2020.

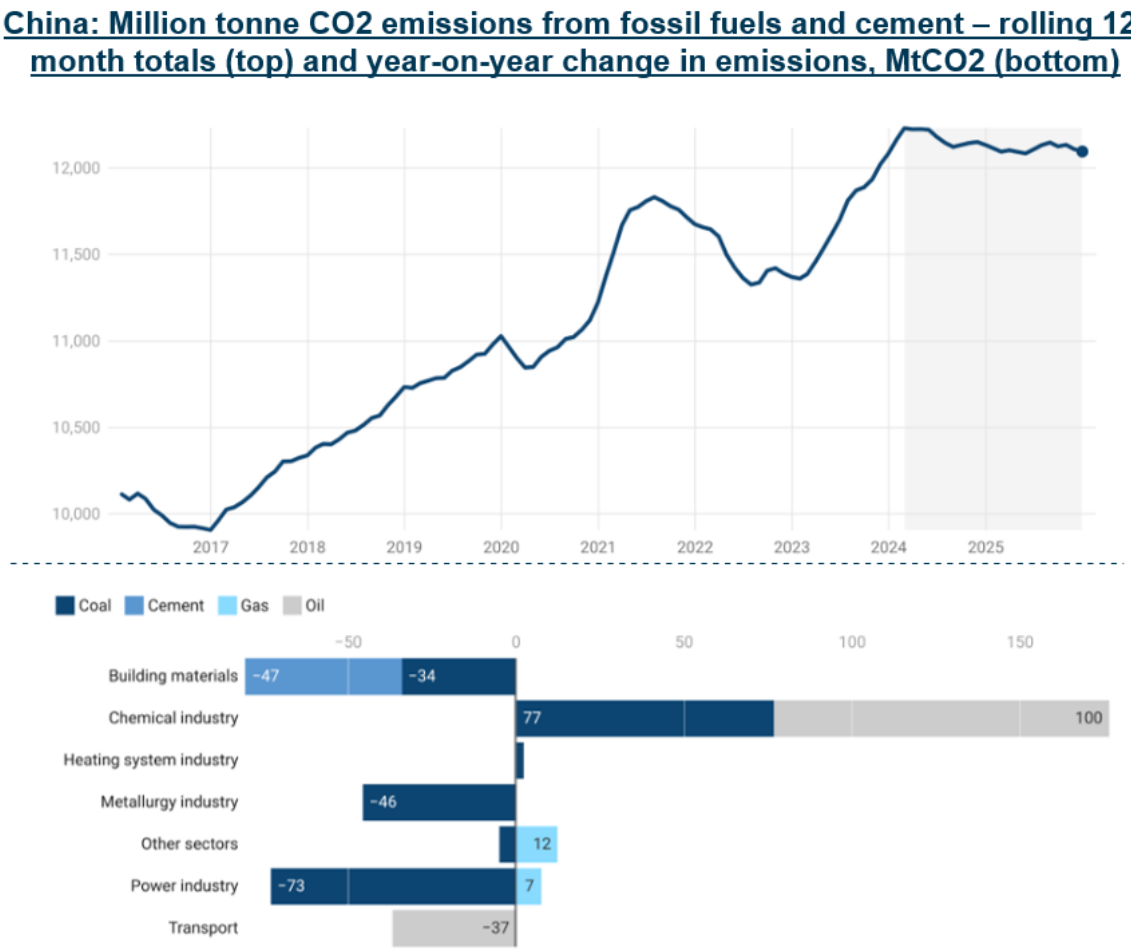
- **Over USD200 million raised for New Maritime Decarbonization Fund.** ESG today reports that France-based investment firm Eurazeo has raised EUR175 million at the first close of Eurazeo Sustainable Maritime Infrastructure II (ESMI II), its new fund aimed at supporting the decarbonization and energy transition of the maritime sector in Europe.

- **UK banks face mortgage risk as flood damage hits homes.** The increasing threat of flood damage to UK homes is putting the country's banks under growing pressure to prove they are not underestimating the risk in their mortgage books. According to the government's environment agency, 6.3 million properties in England are already located in areas vulnerable to flooding from surface water, coastal swells, and overflowing rivers. The issue is increasingly relevant to other countries facing ricing flood threats, such as France, which has experienced "unprecedented" flooding recently.

- **The European Council has given its final approval to the Omnibus package.** EU member states voted on Tuesday to approve the simplification package, which significantly scales back sustainability reporting and due diligence requirements. The updated act will be published in the EU's official journal in the coming days and will come into force 20 days after publication.

- **China's CO2 emissions have now been "flat or falling" for 21 months according to Carbon Brief analysis.** The CO2 emissions fell by 1% in the final quarter of 2025, likely securing a decline of 0.3% for the full year as a whole. The emissions fell year-on-year in almost all major sectors, including transport (3%), power (1.5%) and building materials (7%), the key exception being the chemicals industry, where emissions grew 12% (see graph of the month). China would now need to cut its carbon intensity by around 25% over the next five years in order to meet one of its key climate commitments under the Paris Agreement.

Graph of the month:



Source: Carbon brief

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