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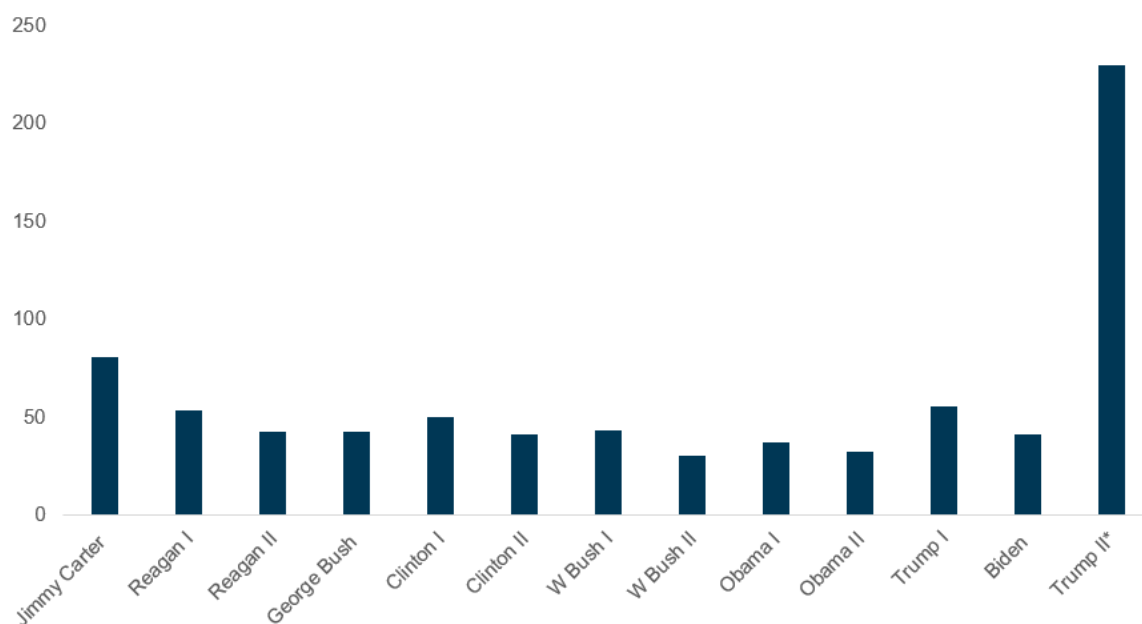
## Sustainable Finance News Wrap-Up

- **In focus:** *Trump 2.0's first year back in power – perhaps best described as chaos by design - has been strongly felt in global politics and the energy transition therein. The US step away from ESG and energy transition towards fossil fuels have been defining factors for the year, and together with the erosion of a rules-based world order, are impacting global transition and climate efforts negatively. Fossil fuels dominance is a core pillar of Trump's geopolitical strategy. It includes boosting controlled supply and imposing on other nations long-term dependency. To this end, Washington seems ready to exert pressure to complicate climate efforts that could impact demand for US fossil fuels – with EU firmly in its sights. Brussels, on the other hand, is quickly realizing that swapping Russian gas with US gas could mean jumping from the frying pan into the fire. Hence, Trump may be a force that leads EU to transition faster, not slower.*
- **Sustainable products update:**
  - *Global Sustainable Bond Market – January Update.*
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  - *Sustainalytics Exits the SPO Market – What Issuers Need to Know.*
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  - *European electric vehicle sales overtake petrol for the first time in December.*
  - *Hedge funds pile into EU carbon permits ahead of a possible supply squeeze.*
  - *North Sea states aim for "world's largest energy hub" at the third North Sea summit.*
  - *WEF risk report: Long-term risks continue to be dominated by environmental concerns.*

## ***In focus: Petro power, transition and beyond - Unpacking one year of Trump 2.0***

One year has passed since Trump took the helm as President in the United States for the second time. The end of Trump's 2.0 first year in power was symbolically marked by the formal exit from the Paris Agreement taking effect this week, one year after he announced the move on his first day as President. More broadly, one of the most defining features over the last year has been the sheer extent of activity in the White House over 2025 – perhaps best described as chaos by design – driven by Trump's extensive use of Executive Orders (see chart below).

### **Average US Presidential executive orders per year by President**



*\*Based on one year. Source: The Presidential Project.*

Further, this “chaos” has also been fuelled by Trump showing a tendency to unleash force (political or military) on those of his adversaries where he believes he can assert dominance, while staying far away from taking principles-based positions. Against this backdrop, taking the temperature of the Trump Administration's impact on energy transition efforts is a difficult task, but we will give it a go.

### **A rupture from a rules-based system to might makes right**

The US has taken a big step back on energy transition, climate efforts and ESG more broadly under Trump 2.0 – with the One Big Beautiful Bill Act (OBBBA) for one expected to negatively impact renewables growth significantly leading up to 2030. The biggest impact of Trump 2.0 on sustainability might still be the apparent efforts of Washington to undermine the rule-based system that the mitigation and management of climate change and environmental crises depend on.

The talk of the town at World Economic Forum at Davos this year was Canadian PM Mark Carney's "rupture" speech where he described a world where the rules-based order is basically over. While never invoking Trump by name, Carney's speech named America as the 'hegemon' - a critique of the Trump administration's disregard of the rule of International Law, push for territorial gains, and the ever-looming threat of tariffs being used as a foreign policy coercion tool. As a result, geopolitics took the centre stage of Davos discussions. Climate discussions, on the other hand, moved away from the official programme more towards the margins to be put on the agenda by the corporate sector.

Against the backdrop of increasing geopolitical fragmentation and "rule-of-the-jungle", achieving the multilateral coordination needed to accelerate global sustainability efforts gets trickier. It is also not helped by the US leaving the UN Framework Convention on Climate Change (UNFCCC) and 65 other entities or UN Organizations earlier in January. For one, the US shedding its sustainability commitments may also be used to justify ambition slippage in other countries. It also creates scope for countries stepping into the power vacuum - such as China, which doubled down on the transition in Davos. Regardless of the US being present in international organisations or not, it remains difficult to forecast when US pressure will impact processes, either through blocking progress more overtly or impacting opinion from the shadows. For example, Washington did all in its power to prevent the IMO from implementing a global carbon tax on shipping in October but was notably absent at COP30 in Brazil in November.

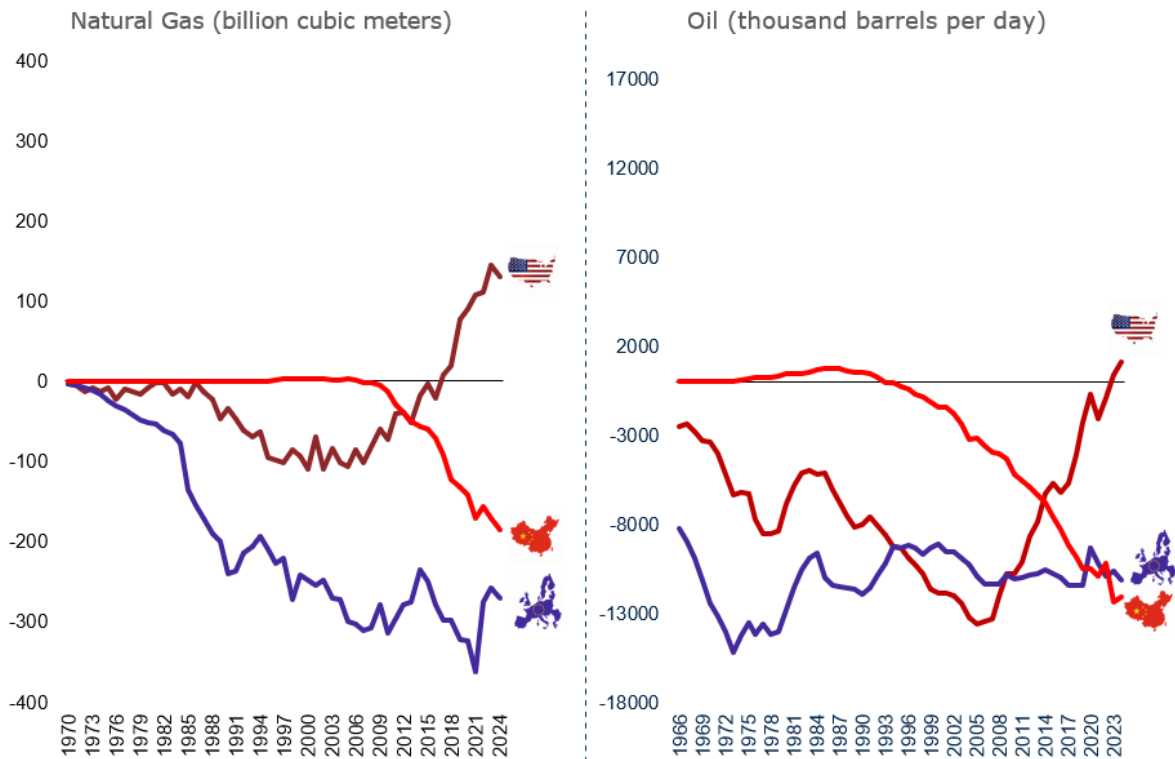
### If it walks like a duck: Is Trump's US now behaving more like a petrostate?

A key hallmark of Trump 2.0's first year in office is an intensified push for energy dominance through fossil fuels. Trump hit the ground to boost the US oil and gas sector, i.e., through his "Unleashing American Energy" Executive Order from his first day in office. It aimed to ease the regulatory burden of permitting for new projects, which remains key on the US and Trump political agenda. Trump's intentions are clearly restated in the new US National Security Strategy from November 2025, namely, to restore "American Energy Dominance" with an overarching focus on fossil fuels. The military intervention in Venezuela can also be seen in the context of this political agenda.

A key part of the US security strategy is expanding net energy exports, which also would enable the US to "project power... when and where necessary" based on more narrow national interests - seemingly in a zero-sum manner. While the US over the decades has been a significant net importer of fossil fuels, making the US a key benefactor of a global rules-based system and universal values, the shale revolution has turned this on its head through making the US net exporters of liquified natural gas (LNG) and oil (see graph below). While Trump's US of course is not a petrostate

in the traditional sense, it can perhaps be argued that fossil fuels now play an outsized role in American national energy policy and in influencing foreign policy.

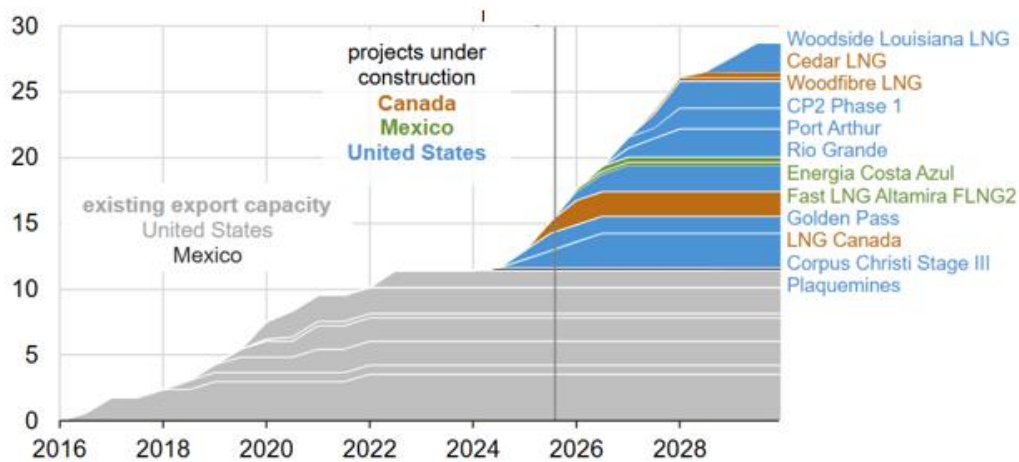
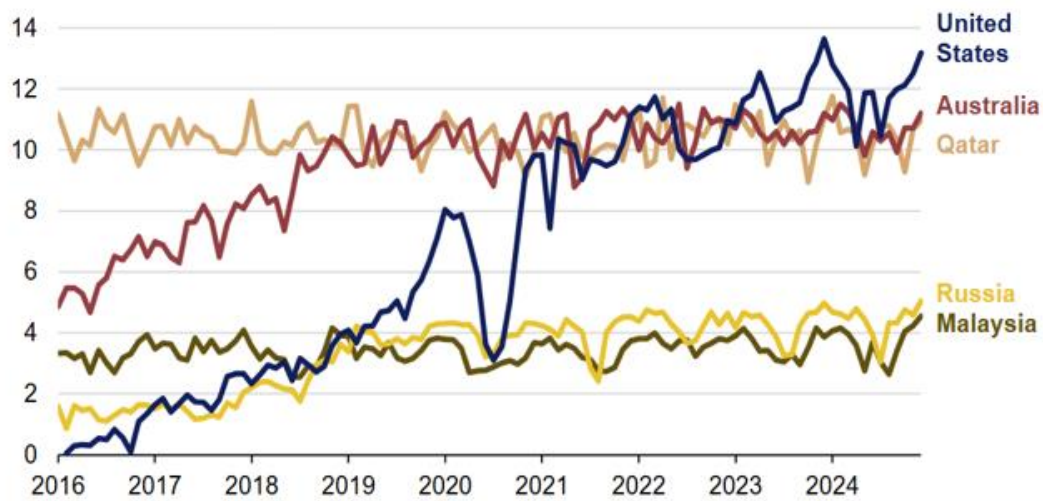
### From US weakness to strength: Net production of natural gas and oil



Source: Energy Institute

Supporting Trump 2.0 ambitions, the US emerged as the biggest LNG exporter globally under President Biden – a position cemented over 2025 when the US became the first country to export more than 100mn metric tonnes of LNG in a single year (111mmt in total). There are also plans that could near double LNG export capacity the coming five-six years (see graphs below). As such, the fossil energy dominance Trump seeks appears to be in the cards, at least on paper, and has created the space for Trump to disregard previous American political norms and make the US behave more like a petrostate, with policy being driven by fossil fuels.

**LNG exports (top) and export capacity outlook (bottom), billion cubic feet per day**



Source: EIA

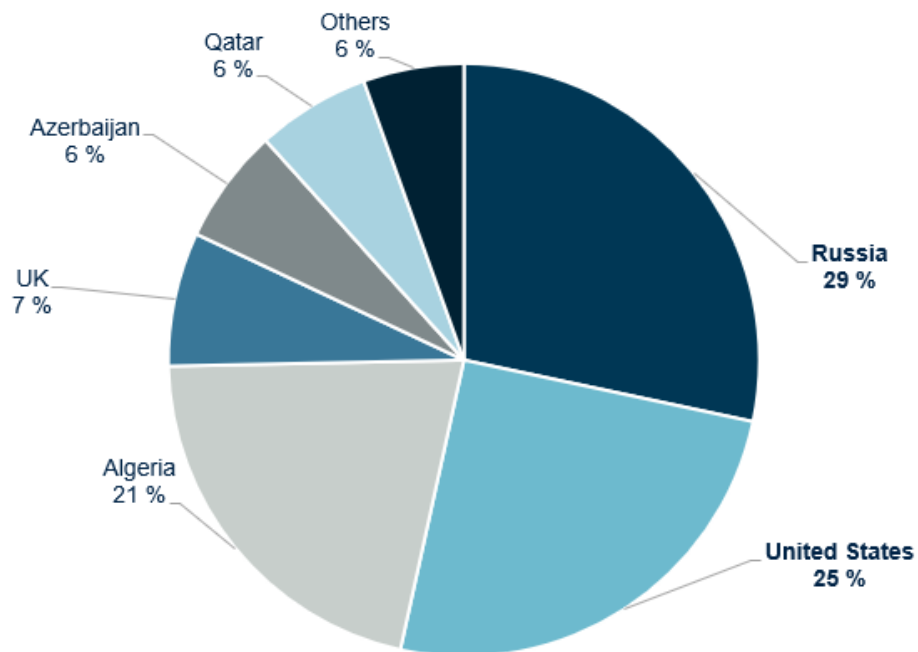
**If it talks like a duck: Is Trump’s intention to block transition to wield petro-power?**

To properly wield this American fossil fuel power, however, there needs to be long-term demand for US fossil fuels. With the risks of an LNG supply glut looming, a key objective for Washington is to replace Russia as Europe’s dominant gas supplier. The US-EU trade deal from July required EU to commit to buying EUR750bn of energy from the US and tries to lock-in American LNG in Europe for the long-term to this end.

That said, it is becoming increasingly apparent that the EU realises that moving from Russian to US gas dependence is going from the frying pan into the fire. The US no longer appears a reliable partner, but rather one that might even use Europe’s LNG dependence against it – through what Trump refers to as power projection. Highlighting this dawning realisation, antagonistic and unpredictable American foreign policy posturing against Brussels meant that an auction for gas pipeline capacity to transport and distribute American LNG from Greece flopped this week.

As such, Trump’s aggressive foreign policy might backfire in leading Brussels to realise it has no option but to transition away from fossil fuels altogether – especially as Norwegian oil and gas output is expected to decline towards 2030. And for Trump, an accelerated energy transition in Europe would be perceived as a direct threat to long-term American power projection. It is perhaps also helpful to understand the US rejection of net zero and climate change in its Security Strategy in this light – where it is highlighted as a threat to the US and harmful for the EU – namely as threats to Trump’s fossil fuelled power projection.

### Shares of EU gas imports from non-EEA sources, 2024



Source: Eurostat

Based on this logic, it seems prudent to expect that the US under Trump will use all the tools at its disposal to complicate EU transition efforts and lock in US fossil fuel exports. If we use the IMO deal collapse as a template, it has been argued that intense US efforts had to do with the carbon tax posing a risk to the role of US LNG as a fuel in shipping. As full value chain emissions would be captured in the carbon tax methodology, methane slippage could impact US LNG negatively. The all-out effort to scupper the deal could therefore possibly be traced directly to LNG offtake risk – which might be a key signal for when Washington intensifies efforts to influence policy and regulation.

In terms of forms of pressure to be expected, the US pushback against the Corporate Sustainability Due Diligence Directive (CSDDD) over 2025 could offer an example. Exxon threatened to exit the EU should corporate energy transition plans be required under the Directive. This highlights how US energy was used as a tool to

push for watering out sustainability regulation in Brussels, while also highlighting the risk of US dependence in the first place.

### Can a new fossil fuel geopolitical reality be what spurs EU to transition faster?

Up until the end of 2025, Europe's relationship to the US foreign policy was driven and directed by notion that Europe needs the US for its collective defence and to keep Russia from any further advances in Ukraine. This meant European leaders tip-toeing around Trump – while accepting a trade deal that most Europeans considered a humiliation.

However, several recent events possibly mark that Europe might finally get its act together. These include 1) the apparent ability of Europe to mount a collective response and threat of using the Anti Coercion Instrument (the so-called "Trade Bazooka") in response to Trump's territorial ambitions and tariff threats, 2) the pilgrimage of European leaders to India and South America to complete long-dormant trade deal negotiations, and also 3) recent messages from the North Sea summit signalling billions of investments into offshore wind in the North Sea – with a focus on renewable energy's role in boosting energy security.

The emergence of a more self-confident and action-oriented Europe – positioning for the strategic autonomy French President Macron has been pleading for - will need energy policy at its core. An independent and strategically autonomous Europe requires much more energy independence, which require massive investments into renewables. At the same time, investments into a renewable energy system requires closer ties to China which possesses the technology and resources needed for the transition. Walking this path will no doubt not be seen positively by Trump and might cause even more geopolitical storms.

## ***Sustainable products update***

### Global Sustainable Bond Market – January Update

Global green bond issuance has started 2026 on a strong footing, rising 22.6% year on year with approximately USD 60bn issued to date. While this falls short of the record-breaking USD 71bn seen in January 2024, it nevertheless reflects a resilient market opening.

In the EUR corporate sustainable bond market, issuance is up close to 80% year on year, reaching around EUR 18bn. However, this jump should be interpreted with caution: last year's unusually slow start means today's activity is more a normalization than a structural surge, with volumes broadly in line with 2023 and 2024.

EUR-denominated issuance from SSA and FIG borrowers is running below the levels observed in the past two years. For SSA issuers in particular, January has historically been a poor predictor of full-year supply, as many choose to frontload conventional funding and postpone sustainable issuance until later in the year.

In the Nordic region, the year has opened with exceptional momentum. Corporate sustainable bond issuance recorded its strongest January on record, more than doubling compared with last year. Both SEK and EUR volumes have accelerated as Nordic corporates re-enter the market with renewed confidence. By contrast, SEK FIG green bond issuance has cooled from the record January levels of 2024 and is down roughly 60% compared to the two last years.

### Market Outlook for 2026 – A Year of Stabilisation

Across agencies and market observers, the message for 2026 is consistent: strong but stable issuance, underpinned by refinancing needs rather than outright growth.

Moody's Ratings expects global sustainable bond issuance of around USD 900bn in 2026, essentially flat to 2025 and below the highs of 2021–24. Moody's frames the year as one of consolidation amid political headwinds in North America and competing fiscal priorities such as defence spending and energy security. Green bonds are expected to retain their dominant share of the market.

S&P Global Ratings emphasises refinancing needs as a key technical support, with around 20% of outstanding sustainable debt maturing in 2025–26 and maturities peaking this year. S&P expects market liquidity to remain sufficient to absorb these volumes, even if "new money" issuance remains moderate.

Fitch Ratings / Sustainable Fitch highlights transition finance as a potential incremental growth driver, noting that 2026 will be a pivotal year for frameworks supporting hard-to-abate sectors. Still, Fitch cautions that geopolitical uncertainty and pockets of ESG backlash could cap growth.

Environmental Finance points to a period of adjustment following the 2025 contraction, highlighting the continued dominance of green bonds, increasing structural maturity of transition-labelled instruments, and relative strength in Europe.

### Sustainalytics Exits the SPO Market – What Issuers Need to Know

Through an article in Responsible Investor, Sustainalytics has announced that it will exit the Second-Party Opinion (SPO) business in Q1 2026. The news marks the departure of one of the market's longest-standing and most influential external reviewers — a provider that, until as recently as 2024, remained the largest assessment house in the sustainable bond market.

## *Background*

According to Responsible Investor, Sustainalytics' president David Pagliaro explains that the decision reflects a strategic shift toward strengthening the firm's ESG and climate research, ratings and investor-focused data offerings. Since being acquired by Morningstar in 2020, Sustainalytics has increasingly operated in a business environment centred around investor services rather than corporate issuers.

Sustainalytics has historically been regarded as a standard-setter, particularly in the early, less-regulated years of the green bond market. It played a pivotal role in shaping market integrity and defining credible "green" activity at a time when the risk of greenwashing was far higher. Yet the economics of the SPO market have deteriorated: pricing remains tight, competition has intensified, — despite the resource-intensive analytical work required.

## *Implications for Issuers*

Importantly for issuers and investors:

- Existing Sustainalytics SPOs remain fully valid, as they are point-in-time assessments and therefore unaffected by the firm's withdrawal.
- New frameworks will require alternative providers, but this should pose no difficulty. Several high-quality SPO providers — including S&P Global Ratings, ISS, Moody's, Sustainable Fitch, and DNV — remain active and are well-positioned to absorb market share.
- Sustainalytics' exit removes a respected voice from the market, but other major providers have strengthened their capabilities in recent years, often through acquisitions of specialist SPO firms.

This development should not be seen as a sign of broader weakness in the sustainable bond market. On the contrary, Bloomberg reports that sustainable bond issuance surpassed USD 1 trillion in 2025, highlighting continued strong momentum in labelled debt markets. The strategic consolidation by Sustainalytics reflects internal alignment rather than structural decline.

## *In brief:*

- **UK Warm Homes Plan: £15 billion tackling fuel poverty and boosting sustainability.** The Warm Homes Plan aims to upgrade 5 million homes by 2030 through £15 billion in public investment. Homeowners will have access to grants and loans for installing technologies like heat pumps, solar panels, and batteries, while low-income households and renters will receive direct support. This plan will accelerate Britain's solar rooftop revolution, with the potential to triple the number of homes generating their own energy by 2030.
- **European electric vehicle sales overtake petrol for the first time in December.** Data from the European Automobile Manufacturers' Association reveals that the battery EV registrations reached 217,898, up 51% year-on-year from December 2024. Overall, in 2025, EVs reached 17.4% of the market share in the bloc, up from 13.6% the previous year. The four largest markets that driving this growth, Germany (+43.2), the Netherlands (+18.1), Belgium (+12.6%), and France (+12.5), collectively represented 62% of total registrations. Hybrid vehicles, which are still entirely fuelled by petrol or diesel, remain the largest segment in the EU car market.
- **Hedge funds pile into EU carbon permits ahead of a looming supply squeeze.** Investment funds' net bets on rising prices of European carbon allowances (EUAs) have been climbing sharply since August. The surge in speculative purchases has helped drive a rally in the price of EUAs, which have jumped from about EUR70 per permit last summer to EUR84 this morning. The prices rose to a two year high of EUR92 earlier this month before briefly selling off early last week during the political crisis over Greenland. In addition to the regular annual reduction in issuance, the European Commission has scheduled an additional reduction this year and will also cancel some extra allowances that had previously been added for the maritime sector.
- **North Sea states aim for "world's largest energy hub" at the third North Sea summit.** North Sea states agreed to a significant investment of up to one trillion euros by 2040 to scale up offshore wind energy production and grid connections, aiming to establish Europe's largest renewable energy hub. The initiative seeks to reduce reliance on fossil fuel imports, enhance energy security, and lower industry costs. Key focus areas include cross-border cooperation on wind projects, hydrogen production, and infrastructure protection against physical and cyber threats. However, concerns remain over rising investment costs, auction uncertainties, and infrastructure challenges in Europe's offshore wind sector.
- **WEF risk report: Long-term risks continue to be dominated by environmental concerns.** The World Economic Forum's annual Global Risk Report highlights geopolitical risks as the most pressing short term challenges, while environmental concerns are being deprioritized in the short term. However, environmental risks continue to dominate the long term outlook, with five of the top ten positions in the survey underscoring the critical challenges leaders expect to face in the years ahead.

## Graph of the month:



"Please estimate the likely impact (severity) of the following risks over a 2-year period and 10-year period."

Source: World Economic Forum Global Risks Perception Survey 2025-2026

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