Danske Bank

29 May 2026


- ***In focus:*** *Europe's latest fossil fuel shock is reinforcing a strategic dilemma at the heart of the energy transition: while accelerating renewable energy and electrification is the clearest route to reduce import dependence, improve competitiveness and continue decarbonisation, much of the clean technology needed to do so remains dominated by China. Against this backdrop, the proposed Industrial Accelerator Act (IAA) marks a step-change in Brussels' attempt to secure greater control over clean value chains by combining industrial policy, energy security and decarbonisation. Key pillars include using public procurement and support schemes to bolster European clean industry, attaching conditions to foreign investment in strategically sensitive sectors and speeding up permitting to scale domestic manufacturing faster. In effect, the proposal reflects broader EU aims of de-risking external dependencies and protecting domestic industry. Ensuring that European companies benefit from significant upcoming transition investment, as opposed to international competitors, is a key part of this. It will not be straight-forward, however. EU's aims to expand European clean manufacturing without materially slowing deployment, raising costs too far, or significantly escalating trade tensions with China will prove a challenging balancing act.*

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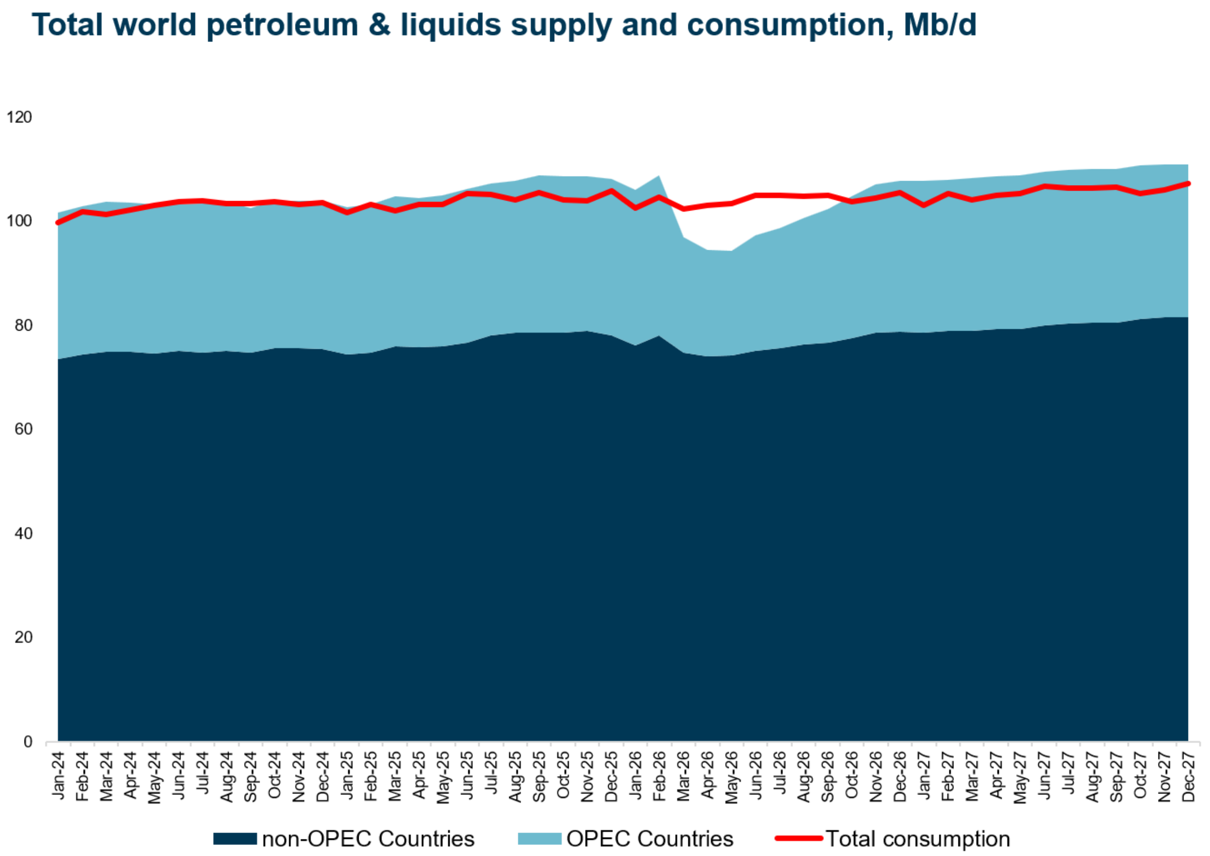
## *In focus: The EU strategy to control more of its energy transition*

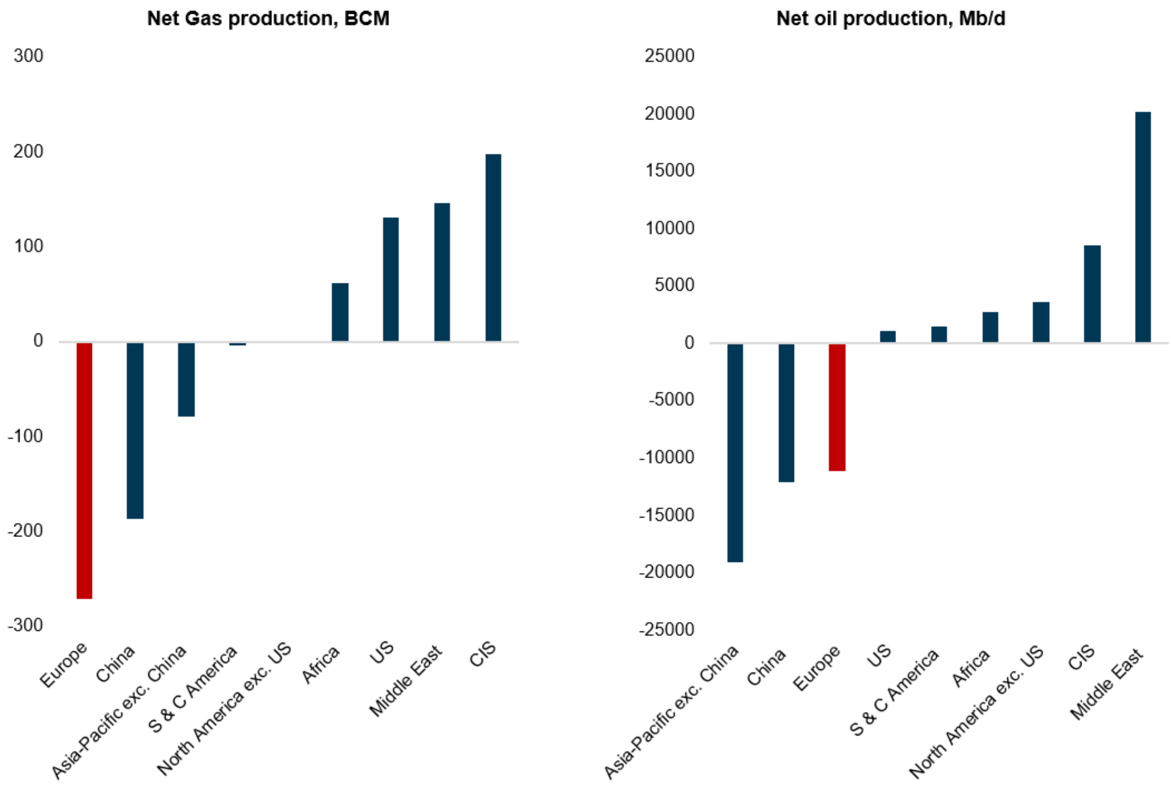
We are now three months into a closed Strait of Hormuz with significant implications for global energy markets. While intermittent renewable energy routinely faces criticism over its short-term and seasonal unreliability due to weather patterns, the discussions around fossil fuels is increasingly becoming one of managing long-term unreliability and structural risks from geopolitics and war. According to EIA, the total supply of petroleum and liquids had fallen significantly with releases from strategic reserves playing a key role in plugging the gap (see graph below).




*Source: EIA*

The combination of reserve releases and a continuous expectations for conflict resolution has helped support market sentiment – also in the face of renewed American bombing of Iran this week. This does not, however, reduce the key lesson of this conflict. It is a risky time to be a large-scale fossil fuel importer, with hitherto reliable Middle Eastern suppliers no longer reliable. Furthermore, the only real large-scale alternative in Trump's US appears crystal clear on using the US' rapidly emerging status as the world's main oil and gas superpower for political leverage when it deems useful.

**Net oil and gas production by region/country over 2024**

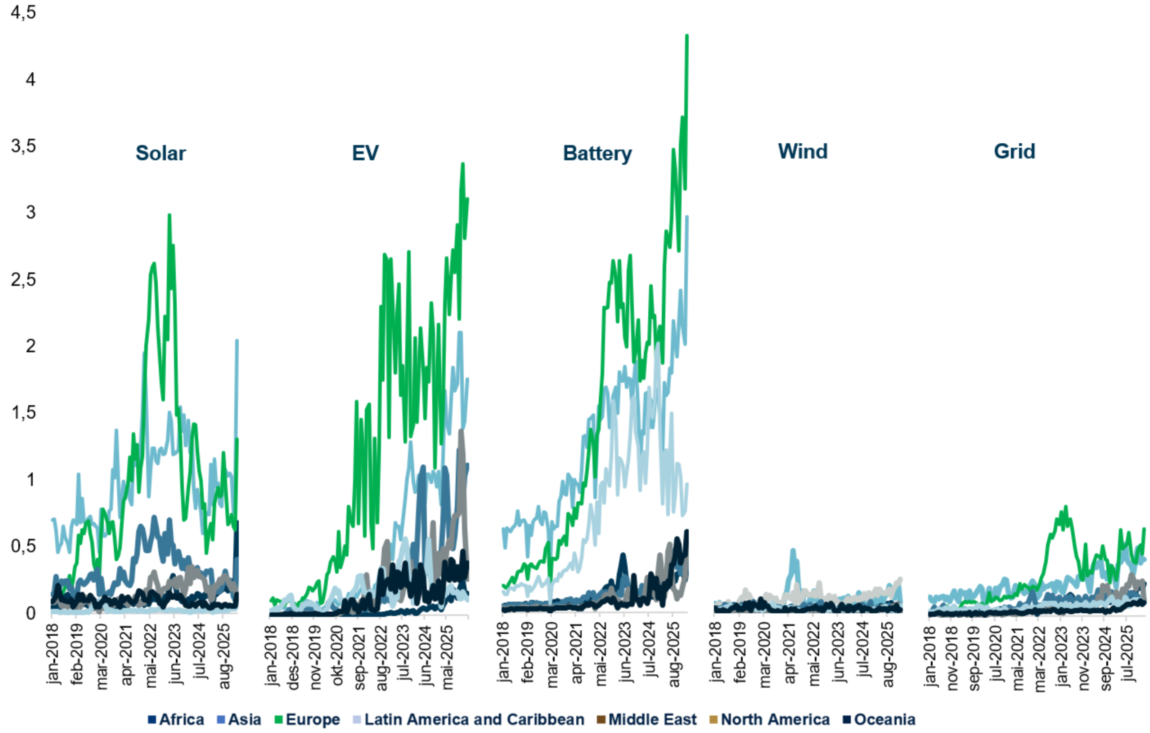



*CIS = Commonwealth of Independent States, including Russia and other post-Soviet countries. Source: Energy Institute*

Europe is stuck between a rock (US) and a hard place (China)

Against this backdrop, Europe is in dire need of de-risking its energy supply by shifting away from fossil fuels. High cost of fossil fuel imports is also an Achilles heel of European competitiveness after plentiful cheap Russian gas ceased being an alternative. With a nuclear ramp-up set to take years, and European oil and gas production declining, the real alternative to accelerate a shift away from imported fossil fuels in the near-term seems to rapidly roll-out renewable energy and electrify whatever can (reasonably) be electrified. Rising European competitiveness and continued decarbonisation would be welcome bonuses.
That said, China has spent the last decades building up a superpower status across renewable energy and electrification value chains due to the same reason – becoming the superpower in solar panels, batteries, electric vehicles, transition minerals and so on. From a strictly end-use perspective, Europe have been prime beneficiaries of this, having ramped up solar, EV and battery imports from China dramatically since the beginning of 2022 – when Ukraine invasion fossil fuel shock hit (see graph below). According to the REPower EU Stocktake, renewable energy – particularly solar power – displaced 38 of the nearly 110 billion cubic meters (BCM) of displaced Russian gas since the beginning of 2022. This reduced natural gas imports from Russia to 37BCM over 2025. However, the solar cells and panels that made this possible were supplied from China (see graph below). Hence, as Brussels now grapples with another fossil fuel crisis and seeks to further ramp up the energy transition, it is becoming clear that Europe is about to replace one energy import dependency with another.

**China - All technologies monthly export value by region, USD billion**




*Import data includes March 2026. Source: Ember*

Industrial accelerator act is the European attempt to secure clean value chain control

Concerns over this new dependency has been increasingly on the Agenda for Brussels – cemented by yet another fossil fuel shock. Competitiveness and industrial resilience concerns led European Commission to launch its Clean Industrial Deal in early 2025, with the aim of ensuring the EU plays a key role in the future of manufacturing and protecting existing industrial capacity. Electrifying energy demand to reduce energy costs, investing in clean projects – and by extension ramping up demand for clean technology – are key levers for the EU to achieve this. The proposed Industrial Accelerator Act (IAA) regulation from March 2026 is a key part of how the Commission proposes to deliver this.

In short, the IAA sets an explicit objective of lifting manufacturing to 20% of EU GDP by 2035 from about 14% today. It focuses on strategic sectors including steel, cement, aluminium (energy intensive sectors); batteries, electrolysers, heat pumps, wind, solar (net zero technologies) and electric vehicles (autos manufacturing). These sectors make up about 15% of total European manufacturing today. In other words, sectors key to the European transition are in scope for the IAA – and many of these dominated by China. Scaling up and protecting domestic industry is therefore a key part of the IAA and therefore reflected in its proposed pillars of action:

1. Public procurement and 'Made in EU': The core idea is to use procurement and support schemes to create lead markets for European clean industry, thereby helping domestic producers of low-carbon steel, cement, clean

technologies and EVs secure demand and scale in the face of intense foreign competition. For example, the IAA would require EU members to allocate 40% of their relevant support budgets towards made-in EU production for clean technologies – even stricter for electric vehicles - while requiring that 25% of steel and aluminium and 5% of concrete procured by governments or with public support would need to be low-carbon by 2029.

2. Rules around foreign investment: The logic here is not simply to limit foreign capital, but to shape how it enters strategically sensitive sectors by attaching conditions where one third country dominates global capacity (>40% of market share), with the aim of reducing dependency and retaining more control over critical value chains in Europe. In effect, this targets Chinese dominance across solar, batteries and certain minerals – and would tie in criteria such as Europeans employed, local content, joint venture conditions, intellectual property and so on.
3. Speeding up permitting: Faster permitting and industrial acceleration areas are meant to address a more practical bottleneck, namely that Europe cannot build clean manufacturing capacity quickly enough if projects are slowed by fragmented approval processes, grid constraints and weak local investment conditions.

## 'Made in EU' faces a complicated road ahead

Historically, the EU has taken a lax approach to origin of the products that has helped accelerate transition – on the logic that more competitive products can help accelerate the transition. As a result, Chinese solar technology has helped accelerate European transition – at the cost of the terminal decline of European solar cell manufacturing. The first proper step towards dealing with this was the establishment of the Net Zero Industry Act proposed through the Green deal Industrial Plan in 2023 and adopted in 2024 – which introduced EU manufacturing targets and required supply chain resilience and sustainability criteria for public procurement and renewable energy auctions. The IAA clearly is another step towards ensuring that the European energy transition will increasingly intertwine decarbonisation, industrial policy, supply chain resilience and geopolitics.

However, the 'Made in EU' component has proven difficult precisely because it is not straightforward to define what should count as European in an integrated global value chain, while also staying within the EU's trade commitments and avoiding unnecessary cost inflation. Therefore, after significant discussion, the proposal ended up distinguishing between 'content of Union origin' and 'content equivalent to Union origin', with the latter varying depending on whether the measure concerns public procurement or support schemes. In short, this means that EU free trade partners can qualify in one context but not another, while the treatment of electric vehicles appears stricter still. Added to this is a fallback clause allowing the requirement to be bypassed if it raises costs by more than around 20-30%, which reflects the underlying dilemma: Brussels wants to de-risk dependencies and support domestic industry, but without slowing deployment, raising prices too much or inviting WTO and trade disputes.

## China will not sit idly by, but protect its own interests

The IAA, and Europe's strategy around protecting clean value chains has one objective in mind above all others – namely to prevent China from steamrolling EU value chains. Above all those needed for transition where the EU will invest significant amounts in the years to come. In China, a key driver for clean technology manufacturing investment has been to secure its own energy transition, but also increasingly to offset its real estate slump. Clean energy technology represented 90% of the rise in investment in China over 2025, and a third of economic growth, as a result.

One of the consequences of this has, however, been a significant oversupply of manufactured goods. For example, China's solar sector is struggling despite surging exports of cells and panels following the Strait of Hormuz closure. Overcapacity has meant that Chinese solar manufacturers have been in a brutal price war for years – with most companies running at a loss since 2024 and more than 40 Chinese solar firms have gone bankrupt, been acquired or delisted since. Of the top 5 manufactures in the country, and by implication the world, a third of employees have been fired. Against this challenging backdrop, which likely to varying degrees also are evident in other clean technology sectors, it seems unlikely that China will accept rising EU protectionism without a fight.

As such, last week, China's auto industry body stated its "serious concern, strong dissatisfaction and firm opposition" against what it considered discriminatory practices against foreign firms. Earlier, in April, the Chinese trade and economy minister at China's mission in Brussels had announced that China would have to consider retaliation should the EU progress the IAA proposal without significant changes. Since then, the rhetoric has intensified with Beijing threatening to launch trade probes against the so-called EU overcapacity instrument up for discussion in the college of commissioners today. Related to such threats, China launched its own supply chain law earlier this year which gives Beijing sweeping powers to investigate and act against companies or individuals it believes are interfering with supply chains. This highlights the increasing risk of Beijing and Brussels being on a collision course.

## *Sustainable products update*

Green Bonds Broaden as Investors Look Beyond Climate

While the sustainable bond market remains strong and investor demand continues to be robust, one notable development is the increasing diversification beyond traditional climate-focused investments, as issuers and investors broaden their focus to a wider set of sustainability themes.

In the Nordics, Danske Bank recently advised Mowi on the establishment of a new Green Financing Framework. Mowi entered the market on Wednesday, issuing NOK 2.7bn across two tranches. The company expects to allocate approximately 75% of proceeds to environmentally sustainable aquaculture and 25% to water and wastewater management projects. This includes, among others, ASC-certified fish farms, water use efficiency projects, ASC and Global GAP-certified feed plants that source feed ingredients based on Mowi's sustainable feed policy, and projects focused on improved fish welfare, robustness, and reduced mortality.

This marks Mowi’s fifth green bond issuance and comes at a time when activity in blue-related financing is picking up across the sustainable bond market. The concept itself is not new — NIB issued its first blue bond back in 2019, and Ørsted became the first energy company to follow in 2023 — but it does feel like the market is starting to broaden beyond just a handful of early issuers. In 2024, both IFC and ADB issued blue bonds—SEK 2.6bn and SEK 1bn respectively—and in May 2026, both Sydvatten and Jönköping Municipality have entered the market, which points to a growing pipeline of issuers targeting water-related investments.

At the same time, some issuers have started to build more flexibility into their frameworks, including the option to issue category-specific green bonds tied to individual project categories rather than broader portfolios. This can support more targeted financing—for example in water-related investments. Kommuninvest, for instance, has included this flexibility in its latest Green Bond Framework.

From an investor perspective, this broader diversification beyond categories such as renewable energy and clean transportation is generally well received. It provides investors with exposure to new activities and helps offset concentration effects that have emerged following the introduction of the EU Taxonomy, where green bonds have tended to cluster in a relatively narrow set of activities. In that sense, a clearer distinction is starting to emerge within the green bond market: while the EU Green Bond Standard offers greater transparency and standardisation, it is often focused on a more limited set of activities. Traditional ICMA-aligned green bonds, by contrast, continue to offer broader sector diversification—an aspect that remains important for many investors.

## Sustainability-linked bonds increasingly concentrated among the few

The picture looks rather different in the sustainability-linked bond (SLB) market, where activity has become more limited and increasingly concentrated among a smaller group of issuers. Against that backdrop, Carrefour’s return to the euro SLB market this week stands out. The company first entered the SLB market in 2022 and went on to issue nine consecutive SLBs, before switching back to conventional bond issuance in late 2025. This shift, combined with the broader decline in issuance and the exit of major issuers such as Enel, raised questions around the continued momentum of the format.

Carrefour’s return to SLBs therefore provides an important signal, particularly at a time when the market has relied on a limited number of consistent issuers. While overall volumes remain muted, the re-engagement of repeat issuers suggests that the format continues to retain relevance, even as investor expectations on credibility and delivery remain high.

Taken together, these developments point to a market that is not only growing but also evolving in structure—with green bonds expanding into a broader set of themes, while other segments such as SLBs become more selective and dependent on consistent, credible issuers.

## *In brief:*

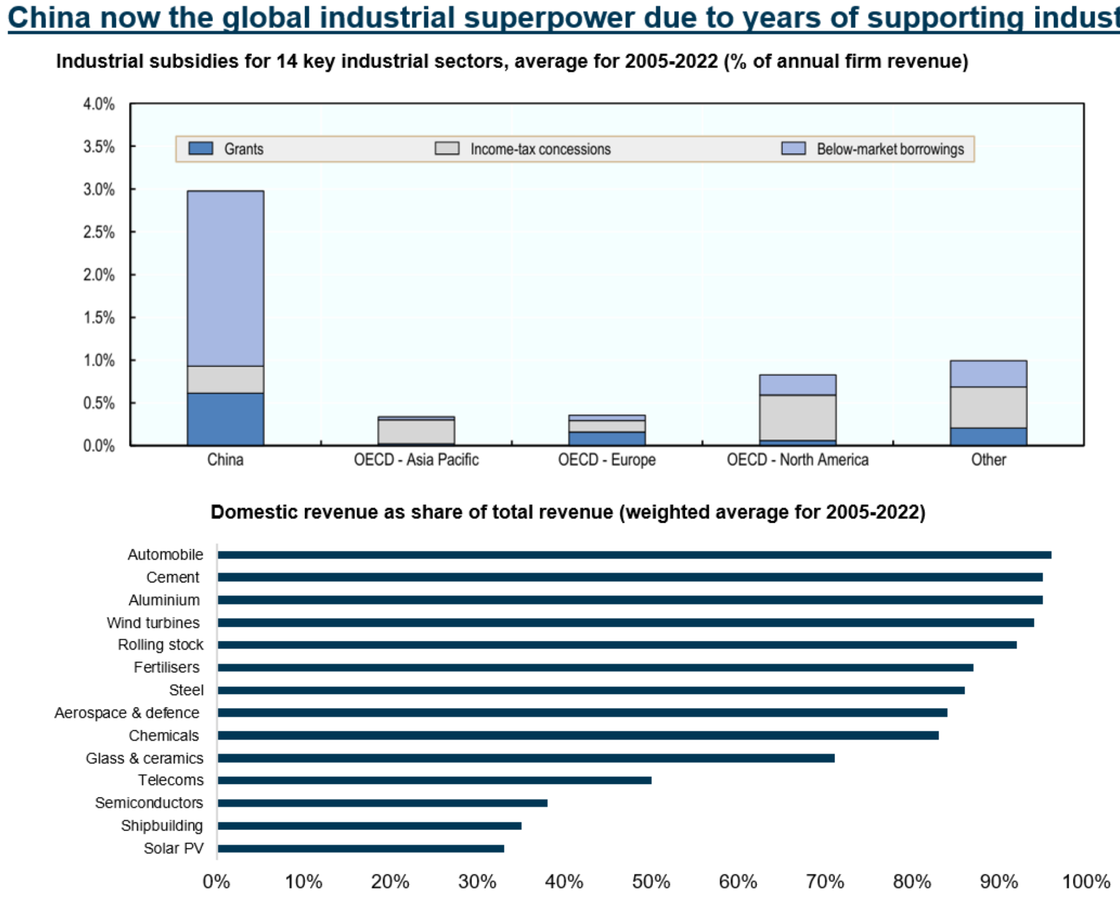
- **ECB provides updated guidance on climate and nature risks**. ECB Banking Supervision has updated its compendium of good practices for climate and nature-related risk management and stress testing, drawing on approaches used by more than 60 supervised institutions. The guidance focuses on strengthening banks' capabilities in prudential transition planning, granular scenario analysis and stress testing, and emerging nature-related risk management, with examples tailored for both large and smaller banks. While non-binding, the compendium is positioned as a practical toolkit to help banks close remaining gaps, remain resilient under heightened uncertainty and capture opportunities from the green transition.

- **Microsoft has signed its first major carbon removal deal since reportedly pausing purchases**. The company has agreed to buy 650,000 tonnes of carbon removal over seven years from Danish biomethane producer BioCirc, making it first major announced deal since reports in April that it had paused new purchases. The credits will come from BioCirc's BECCS platform, which captures biogenic CO2 from five biogas plants and stores it beneath the Danish North Sea, with deliveries starting in the second half of 2026. The deal is important not only for Microsoft's 2030 carbon-negative target, but also for the wider carbon removal market, where Microsoft has been the dominant buyer.

- **Spain's government announces EUR 9 billion energy transition plan.** The proposal aims to make the green shift more socially inclusive, while accelerating the country's response to both the recent global energy shock and longer-term climate challenges. The plan allocates EUR 4.7 billion to improve the energy efficiency of homes, public housing and neighbourhoods, while also supporting rooftop solar and community electricity-sharing schemes. A further EUR 4.3 billion would go towards cleaner transport solutions, including rural mobility and fleet upgrades. Co-financed by the EU, the plan requires majority backing from the Spanish parliament to be adopted.

- **Stockholm invests in BECCS to achieve negative emissions.** The City of Stockholm has signed an agreement with Stockholm Exergi to purchase 50,000 tonnes of permanent carbon removal annually over a 15-year period, making it the world's fifth largest buyer. The initiative supports the city's target of becoming climate-positive by 2030 and fossil-free by 2040, where negative emissions are required to address residual emissions that are difficult or costly to eliminate. The supplier, Stockholm Exergi, is developing a large-scale BECCS (Bioenergy with Carbon Capture and Storage) facility in Stockholm, with planned operations starting in 2028 and a capacity of up to 800,000 tonnes of captured $CO_2$ per year. The project has already attracted major international buyers, including Microsoft, which has committed to purchasing more than 5 million tonnes of carbon removal over a 10-year period. However, developments across the Nordic region indicate that CCS deployment remains challenging, with several projects being paused, including Heidelberg Materials' project on Gotland, primarily due to financing constraints. An additional Swedish government support scheme, currently underway, could be the driver in determining whether additional projects in Sweden reach final investment decisions this year.

## *Chart of the month:*




*Source: OECD Magic Database*

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