PLATFORM ON
SUSTAINABLE FINANCE

Monitoring of Capital Flows to Sustainable Investments

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Key figures

Green and Transition Capex

EUR

+1.2 trillion

EU Taxonomy-aligned CapEx since 2022

+330 billion

EU Taxonomy-aligned CapEx reported in 2025

+182 billion

Additional **CapEx supporting the transition**

Green Bonds

EU Green Bond Standard

EUR

58.8 billion

Issued under **EuGBs** format since 2025, as of 23 September 2026

Conventional Green Bonds

36%

Post-issuance EU Taxonomy alignment of Green Bonds funded activities in 2026

Green Loans

EUR

1.21 trillion

2024 **Total Green Lending** up from 908bn in 2023

EUR

+322.5 billion

36% increase, according to banks' disclosures

SFDR Funds

EUR

+327 billion

2025 **Net inflows in Article 8**

+78%

Number of Article 8 and Article 9 funds reporting Taxonomy alignment

Executive Summary

21% OF CORPORATE INVESTMENT NOW GOES TO GREEN AND TRANSITION ASSETS, LED BY ELECTRIFICATION

Large European companies now allocate a material share of their capital to green and transition investments. In 2025 they invested EUR 512 billion, with EUR 330 billion in green investments and an additional EUR 182 billion in additional CapEx supporting the transition. Together, these investments represented 21% of overall corporate investment in the European Union and were made by more than half of the total market capitalisation of listed companies within the EU, reflecting the scale and scope of transition progress.

The underlying figures and the sequencing of investments since 2022 depict a clear electrification of energy, with a significant boost in clean energy and increased investment in electricity transmission and distribution. Electrification has also extended to rail transport infrastructure and some emission-intensive value chains, such as car manufacturing involving steel and aluminium products. For the first time, investment in lower-carbon cement has kicked-off from a low base, while aligned investment in chemicals remains limited relative to these sectors' decarbonisation needs.

The building and construction sector presents a mixed picture: new construction is increasingly fit for purpose, but renovation may be lagging despite growth in green mortgages. The figures exclude mid-caps and SMEs not subject to reporting requirements, potentially understating activity in sectors where these firms are prominent.

Moreover, the figures do not show where the remaining capital is allocated. In particular, they do not indicate how much flows into fossil fuel-related investments and the extent to which these investments may create carbon lock-in. Incorporating ESRS disclosures on CapEx exposure to fossil fuels into the monitoring of capital allocation would provide a more complete picture, particularly regarding carbon lock-in risks.

Green investment is growing, but remains unevenly distributed across Europe

GREEN INVESTMENT REMAINS CONCENTRATED, REINFORCING THE CASE FOR CAPITAL MARKET INTEGRATION

Taxonomy-aligned investments remain concentrated geographically. Germany accounted for 31% of the EUR 313 billion of aligned CapEx reported by activity in 2025, followed by France (18%), Italy (12%), Spain (9%), the Netherlands (7%), and Denmark (4%). Together, these six Member States accounted for 81% of the EU total, broadly reflecting the location and specialisation of Europe's industrial base rather than the physical destination of investment projects.

Relative to economic size, differences remain substantial. Aligned CapEx averaged 1.7% of EU GDP, with Denmark and Czechia clearly above the average, while several Member States remained at or below 0.5%. Industrial structure explains part of this variation, combined with the bias inherent to the domiciliation of reporting entities. But the dispersion also points to the uneven mobilisation of transition investment across the EU and the need for the full completion and deepening of the Single Market.

THE SAVINGS AND INVESTMENT UNION IS CRITICAL TO FINANCING THE TRANSITION

Most hard-to-abate sectors face a significant challenge. They are confronted with acute external competition, a price race to the bottom, amid high energy prices. They need large sums to invest in technologies that will enable electrification and long-term competitiveness. Yet some actors lack the necessary financial resources. While these sectors may require specific policy measures, the structural constraints they face, combined with the geographical concentration of green and transition investment, reinforce the strategic relevance of the Savings and Investment Union. More integrated EU capital markets can connect investment needs with financing capacity, channel savings towards productive and sustainable activities across borders, and broaden participation in the transition.

The Taxonomy provides a common activity-level reference for tracking these connections across corporate investment, bank lending, green bonds, and investment funds. This framework also enables policymakers to track progress towards a more competitive clean industrial base.

Europe’s challenge is not only to increase the volume of sustainable finance, but to connect its large savings pool more effectively with productive transition investment across technologies, sectors and Member States. The Savings and Investments Union can strengthen this connection through deeper capital markets, greater cross-border investment and larger pools of risk-bearing finance. A common framework for identifying sustainable activities can support this mobilisation by improving transparency and comparability, while preserving the flexibility needed to finance credible corporate transitions.

Green finance is scaling through complementary market channels

GREEN BONDS ANCHOR LARGE-SCALE TRANSITION FINANCE

European issuers have raised more than EUR 2.35 trillion through green bonds since 2020. Financial corporates account for 34% of issuance, the public sector for 31%, and non-financial corporates for 25%. Behind this market, several parts of the financial system are interconnected: banks refinance green loan portfolios, utilities fund energy infrastructure or expand electrification, companies raise capital for green-eligible assets, and public issuers support transport and other public investment.

Green buildings, renewable energy, clean transportation, and energy efficiency account for most reported allocations. This concentration reflects the comparative advantage of use-of-proceeds bonds in financing large, identifiable, and long-lived asset pools.

European issuance reached EUR 291 billion in 2025 and EUR 196 billion in the first half of 2026. Green bonds have an established role in financing the transition, although bonds commercialised as green, unlike European Green Bond Standard (EuGBs), do not necessarily guarantee Taxonomy alignment. Post-issuance data suggests that 36% of activities funded by green bonds are Taxonomy-aligned. Credible standards, comparable classifications, and robust allocation reporting are central to market integrity.

EUROPEAN GREEN BONDS STRENGTHEN THE LINK WITH ALIGNED INVESTMENT

The European Green Bond Standard creates a direct and verifiable link between capital raised and Taxonomy-aligned activities. By June 2026, over one and a half years after the standard started being used by issuers, cumulative issuance amounted to EUR 45.7 billion across 61 bond by Q2 2026, accounting for 14% of European green bond issuance in that quarter. By Sep 23rd, 2026, volumes reached EUR 58.8 billion.

Early adoption is concentrated among issuers with established sustainable finance programmes. Non-financial corporates and banks together accounted for around 74% of issuance, complemented by sovereigns and supranational organisations. Utilities use the format to finance electricity generation, transmission, distribution and storage, while banks primarily link issuance to eligible green-mortgage portfolios. Public issuers have used the instrument to finance sustainable transport and related infrastructure.

The standard strengthens consistency and comparability through prescribed disclosures, external review, and its Taxonomy link. Further growth hinges on asset availability and cost-benefit trade offs. On the other hand, the introduction of a sustainable fund category in SFDR could boost the EuGBs, as it provides a reliable, 85-100% Taxonomy-aligned instrument that exempts investors from calculating alignment and grants immediate eligibility.

BANK LENDING MOBILISES TRANSITION FINANCE ACROSS THE ECONOMY

Green lending increased by EUR 322.5 billion in 2024, reaching EUR 1.21 trillion, 36% above 2023. Households received EUR 681.8 billion, including EUR 615.5 billion in loans collateralised by residential property. Green lending to non-financial corporates reached EUR 506.6 billion and recorded the largest absolute annual increase.

Bank lending reaches parts of the economy without direct access to bond markets. Mortgages and renovation loans support improvements to the building stock, while other household borrowing may finance heat pumps, solar panels, batteries, and electric vehicles. Corporate lending supports SMEs and companies whose projects are too small or otherwise unsuitable for capital-market issuance.

Approximately 45% of reported green lending, equivalent to EUR 553.5 billion, was Taxonomy-aligned. Green lending is expanding rapidly, but classifications, coverage, and data quality remain uneven. More usable DNSH criteria, including improved digital access to asset-level information for financial institutions would improve capacity of banks to finance sustainable real-economy investments.

Europe must turn financial depth into risk-bearing investment

LARGE POOLS OF POTENTIALLY SUSTAINABLE CAPITAL REMAIN ONLY PARTIALLY CONNECTED TO ALIGNED ACTIVITIES

Combined investment funds under SFDR Article 8 and Article 9 reached EUR 9.6 trillion by Q2 2026. Article 8 funds attracted EUR 327.3 billion of net inflows during 2025 and a further EUR 145.3 billion in the first half of 2026. Funds registered as Article 9 recorded EUR 20.7 billion of outflows in 2025 before broadly stabilising in early 2026. This data does not cover insurance or pension products disclosing under Article 8 or 9.

Disclosure has increased more rapidly than portfolio alignment. The number of funds registered as Article 8 and Article 9 reporting a non-zero Taxonomy-aligned share increased by 78% between the third quarter of 2024 and the fourth quarter of 2025. Average alignment nevertheless reached only 2.3% for Article 8 funds and 8.8% for Article 9 funds, compared with reported sustainable-investment shares of 35% and 92%. While currently Taxonomy alignment measures are a sub-set of the concept defined in the regulation as sustainable investments, the gap reflects primarily a core challenge in portfolio construction: the constrained Taxonomy reporting universe covers only roughly 2,000 companies, while most funds reference much larger European and non-European universes.

MAKING THE TAXONOMY MORE USABLE

In light of significant improvements in sustainability data globally and in tools, including AI, to estimate Taxonomy alignment, establishing a principles-based framework to foster the use of estimates in a secure, anti-greenwashing manner is fundamental. As the Platform has noted, digital, machine-readable Taxonomy reporting and a free public tool for checking activities against the technical screening criteria – for example, within the EU Taxonomy Navigator – would make it cheaper and easier to verify alignment. This would benefit companies, including SMEs, as well as banks, bond issuers, external reviewers, investors and supervisors. Lower compliance costs could support wider use of Taxonomy-linked instruments and help preserve the pricing advantage of green finance.

The Taxonomy itself must expand to include a wider set of activities relevant for the green and transition economy, including for non-climate objectives, as well as continue to improve its usability.

RISK-BEARING CAPITAL REMAINS THE MISSING LINK

Green bonds provide an important bridge between sustainable fund demand and identifiable real-economy investment. Funds reporting holdings held approximately EUR 265 billion of green bonds by June 2025. The concentration of reported alignment in use-of-proceeds bonds suggests that fund-level alignment remains strongly influenced by instrument choice, while direct exposure to several strategic transition sectors is more limited.

Debt instruments are well suited to established assets and mature business models. Europe also requires deeper equity, growth-capital, and risk-sharing markets to finance innovation, scale-ups, and first-of-a-kind industrial capacity. Mobilising insurers, pension funds and other institutional investors can expand the pools of patient, long-term capital available for these investments.

Securitisation can help banks recycle balance-sheet capacity and give investors access to diversified loan portfolios. Public guarantees, blended finance, and other risk-sharing instruments can mobilise private capital where technology, construction, or market risks remain difficult for individual investors to absorb.

Introduction

This second edition of the Platform on Sustainable Finance's Report on *Monitoring Capital Flows to Sustainable Investments* is published in a context shaped by major European industrial policy initiatives, including the Clean Industrial Deal, the Affordable Energy Action Plan, the Industrial Accelerator Act, and the European Grids Package. At the same time, heightened geopolitical tensions, competitiveness concerns, strategic dependencies, and persistently high energy costs have reinforced the need to accelerate the transition and market integration, especially financial market integration, while strengthening Europe's industrial base and economic resilience.

The Report builds on the methodology presented in the first edition, published in March 2025, and draws on three vintages of EU Taxonomy disclosures covering fiscal years 2023, 2024 and 2025. This expanding reporting base provides an increasingly robust foundation for monitoring sustainable investment across the European economy.

The Taxonomy's contribution extends beyond measuring aligned investment. Its activity-level criteria provide companies and financial institutions with a common framework for identifying environmentally sustainable economic activities using consistent definitions. This supports a granular assessment of investment patterns across sectors, activities and technologies, while improving comparability across reporting entities.

The analysis is complemented by additional CapEx associated with credible corporate transition plans, capturing investment that supports decarbonisation and industrial transformation but is not reflected in Taxonomy-alignment metrics. This broader perspective situates Taxonomy-aligned investment within the wider transition-finance landscape.

The Taxonomy framework is increasingly reflected across the financing system. Companies report aligned investment, banks disclose aligned lending, green-bond issuers report funded activities and investment funds disclose portfolio alignment. While these metrics capture different dimensions of sustainable finance, they are increasingly linked through a common classification framework. Together, they provide a more comprehensive view of how sustainable investment is financed and how capital is allocated across the transition economy.

Three reporting cycles provide more than an expanding evidence base. They enable analysis of the scale and composition of sustainable investment and support a better understanding of the links between corporate investment and financial flows. The Report examines these dynamics through the complementary perspectives of investment activity, financing instruments and capital-market mobilisation.

REPORT STRUCTURE

Part I. The **Real Economy** examines the investment dimension of the transition. It analyses EU Taxonomy-aligned CapEx across sectors and Member States, incorporates investment associated with credible corporate transition plans and explores investment patterns across different stages of the electrification value chain.

Part II. The **Financial Sector** examines the financing architecture supporting the transition. It analyses green lending, green-bond issuance, implementation of the EU Green Bond Standard and developments in the SFDR fund universe, providing a broader perspective on how financial markets allocate capital to sustainable economic activities and support transition finance.

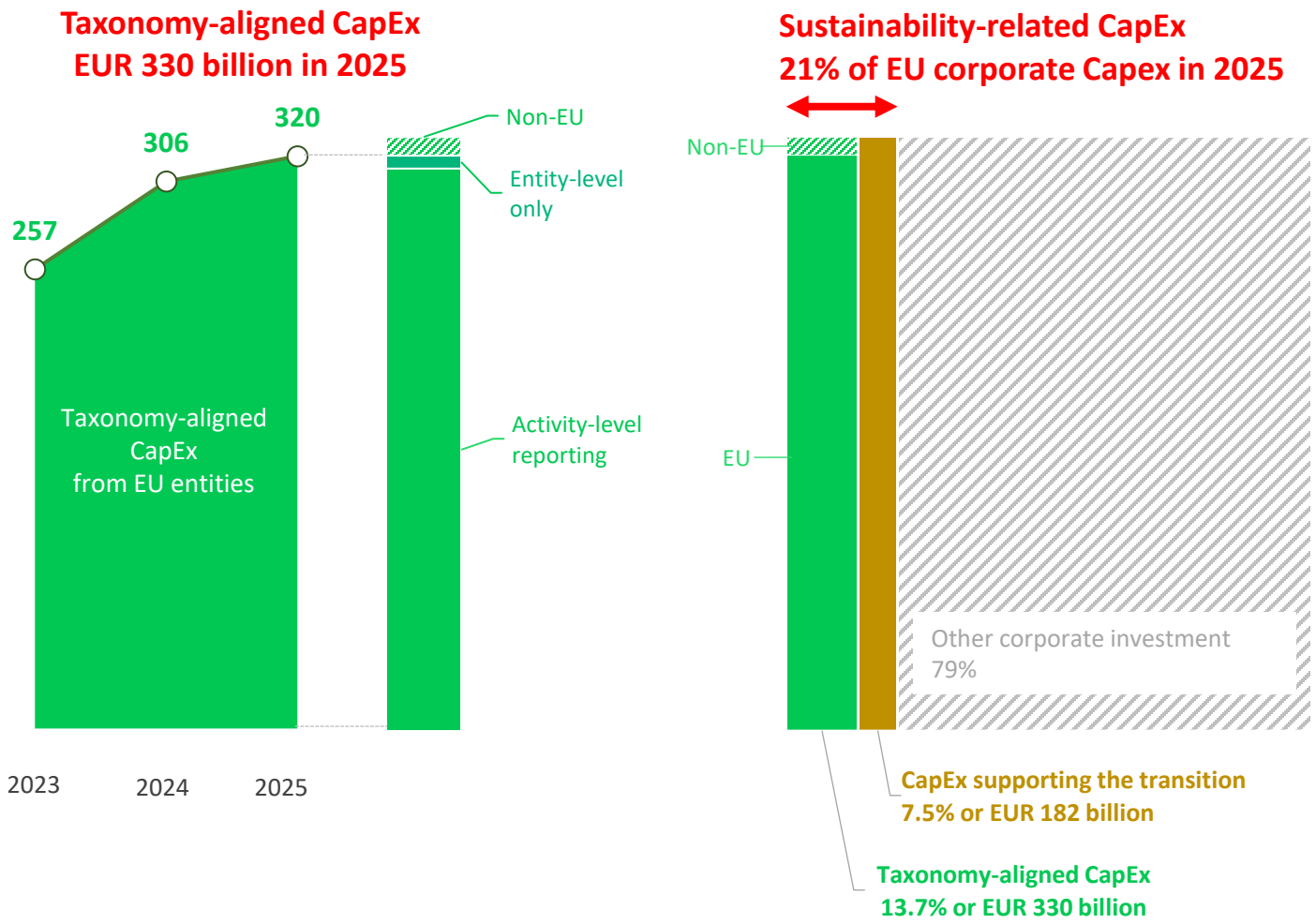
Part I

Real Economy: Investments Driving Green Transformations

Update on EU Taxonomy-aligned and additional CapEx supporting the transition

The 2025 updated picture on how the European economy continues to accelerate investments towards the transition

Sustainable investments are gaining ground



Source: Own calculations, based on Morningstar data as of Sep. 9th, 2026.

Notes: Taxonomy-aligned CapEx from non-EU companies made up for EUR 10 billion in 2025. Taxonomy reporting data are regularly consolidated and updated by data providers, generally resulting in higher aggregate volumes. Slight discrepancies between providers may also arise from differences in the scope of their respective reporting universes.

- **Total Taxonomy-aligned CapEx reported by EU entities increased by 5% in 2025 vs 2024, bringing cumulative reported investment since 2022 above EUR 1.2 trillion.**

Three reporting cycles now allow for the identification of broad investment patterns beyond a single-year snapshot. Given the limited scope of reporting and the timing of large investment programmes, Taxonomy data should be interpreted as an indicator of investment direction rather than a complete measure of the transition. Only a few changes have been observed in the reporting universe since last year, leaving the cohort of green transition leaders broadly unchanged.

Reported aligned CapEx is concentrated almost entirely in climate mitigation. Other environmental objectives account for only EUR 2.7 billion, largely because few activities have defined criteria, not because investment is absent. Future editions will break down aligned CapEx by objective where data allow.

IMPORTANT NOTE

The Taxonomy stocktake presented hereafter is based on Taxonomy data reported at activity level by 553 EU entities. This approach is adopted in the current monitoring update to capture the full granularity and analytical value of Taxonomy reporting. Only EUR 7 billion of Taxonomy-aligned investment, representing 2% of the total, was reported solely at entity level, without information on the specific economic activities underlying the reported amounts.

Taxonomy reporting is emerging as a key barometer of Europe's green transition

GREEN INVESTMENT IS CONCENTRATED IN A FEW COUNTRIES, BUT COMPARISONS REQUIRE CAUTION

Taxonomy-aligned CapEx (reported at activity level) reached EUR 313 billion in 2025, with Germany (31%), France (18%), Italy (12%) and Spain (9%) accounting for around 70% of the EU total. The concentration reflects the location of large reporting corporates in electricity, manufacturing and transport, rather than the physical destination of investment projects.

Cross-country comparisons therefore require caution. Taxonomy reporting is performed at consolidated group level, while national totals can be influenced by a small number of large utilities, manufacturers or transport operators. Domestic industrial structures further shape outcomes. The contrast between investment volumes and investment intensity is therefore informative: although Germany accounts for almost one-third of total aligned CapEx, countries such as Denmark and Czechia display among the highest ratios relative to GDP. Similar findings in the EIB Investment Report (EIB, 2025) underline that investment patterns across Europe are increasingly linked to the sectoral composition of national economies and the concentration of large-scale transition investments

ELECTRICITY INFRASTRUCTURE REMAINS THE BACKBONE OF THE TRANSITION

The sectoral picture is even more concentrated. Electricity supply (46%), manufacturing (25%) and transport services (18%) account for almost 90% of all reported aligned CapEx.

Electricity generation (30%), transmission (11%) and distribution (5%) together represent nearly half of total aligned investment. The prominence of these activities partly reflects the strong coverage of major utilities and transmission system operators, whose investment programmes are well captured by Taxonomy reporting. Manufacturing remains the second-largest destination, led by vehicle manufacturing (17% of EU aligned CapEx), while transport and storage activities account for 15%.

The data therefore suggest that aligned investment is concentrated in sectors undertaking large-scale capital renewal. Conversely, activities that feature prominently in broader decarbonisation debates account for a comparatively limited share of aligned CapEx. Buildings, for example, account for only 5% of total reported aligned investment. This highlights the distinction between observed investment flows and wider policy priorities.

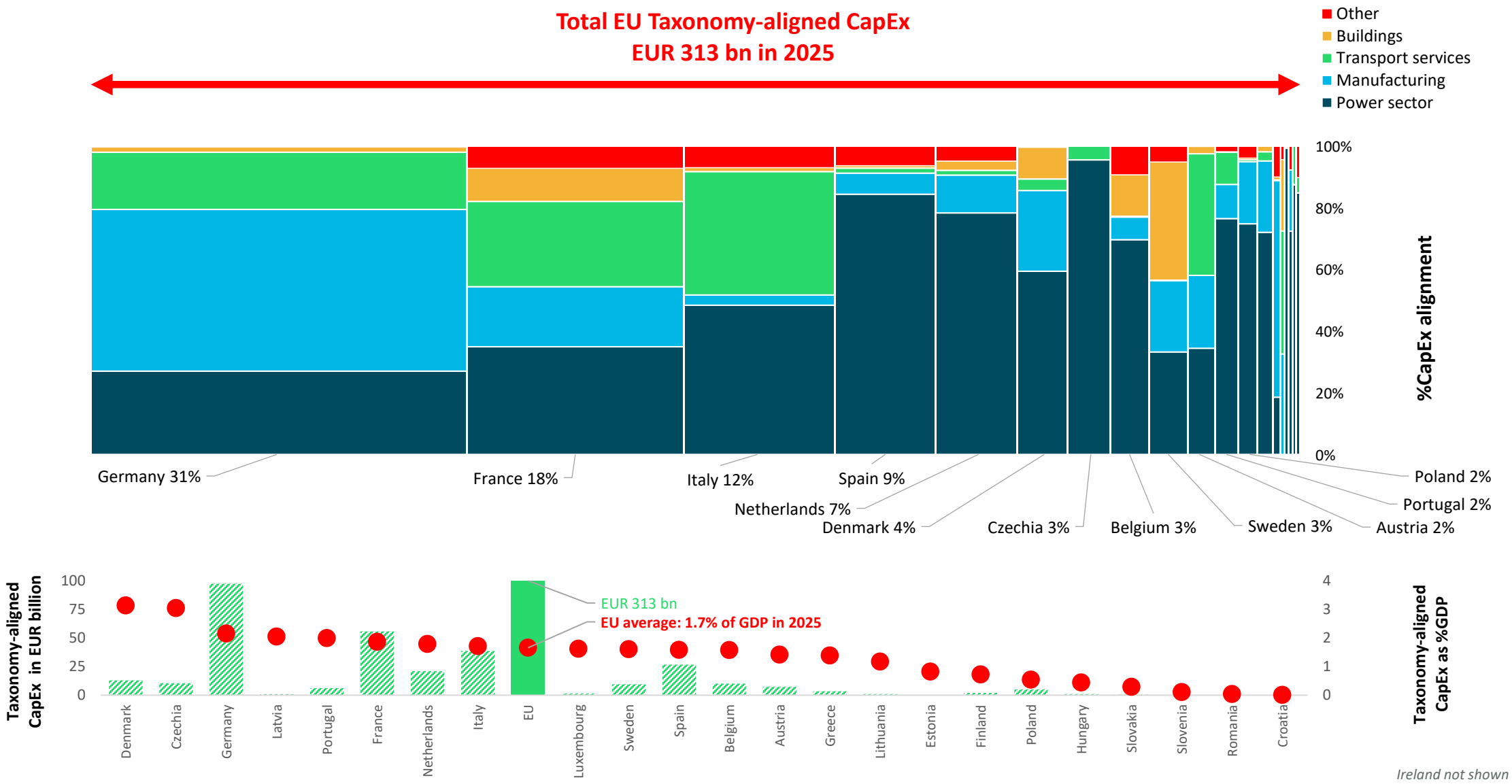
GREEN INVESTMENT FUELLING EU PROSPERITY AND ECONOMIC SECURITY OBJECTIVES

Sustainable capital investment rose by 5% in 2025, driven by growth in electricity supply (+11%), manufacturing (+4%) and transport services (+23%). The increase reflects continued capital deployment in sectors that underpin the green and industrial transition and strengthen the foundations of long-term economic growth. This trend is consistent with the strategic direction set out in the Future of European Competitiveness report, which calls for a "joint decarbonisation and competitiveness plan". As the report notes, "decarbonisation can be an opportunity for Europe to lower energy prices and take the lead in clean technologies", highlighting the close link between climate action, industrial leadership and economic resilience (Draghi, 2024).

Yet the investment effort remains below what is required to achieve Europe's ambitions. The ECB estimates that additional green investment equivalent to 2.7-3.7% of GDP is needed annually to meet EU climate objectives (ECB, 2025), while I4CE estimates that only around 61% of the required annual investment level was reached in 2025 (I4CE, 2026).[1] Sustaining and scaling investment will therefore remain critical to securing Europe's future prosperity, competitiveness and economic security.

[1] The analysis on environmental investment needs and gaps, published by the European Commission for the 2025 Environmental Implementation Review, identified an additional investment gap equivalent to 0.78% of EU GDP to achieve the environmental objectives beyond climate.

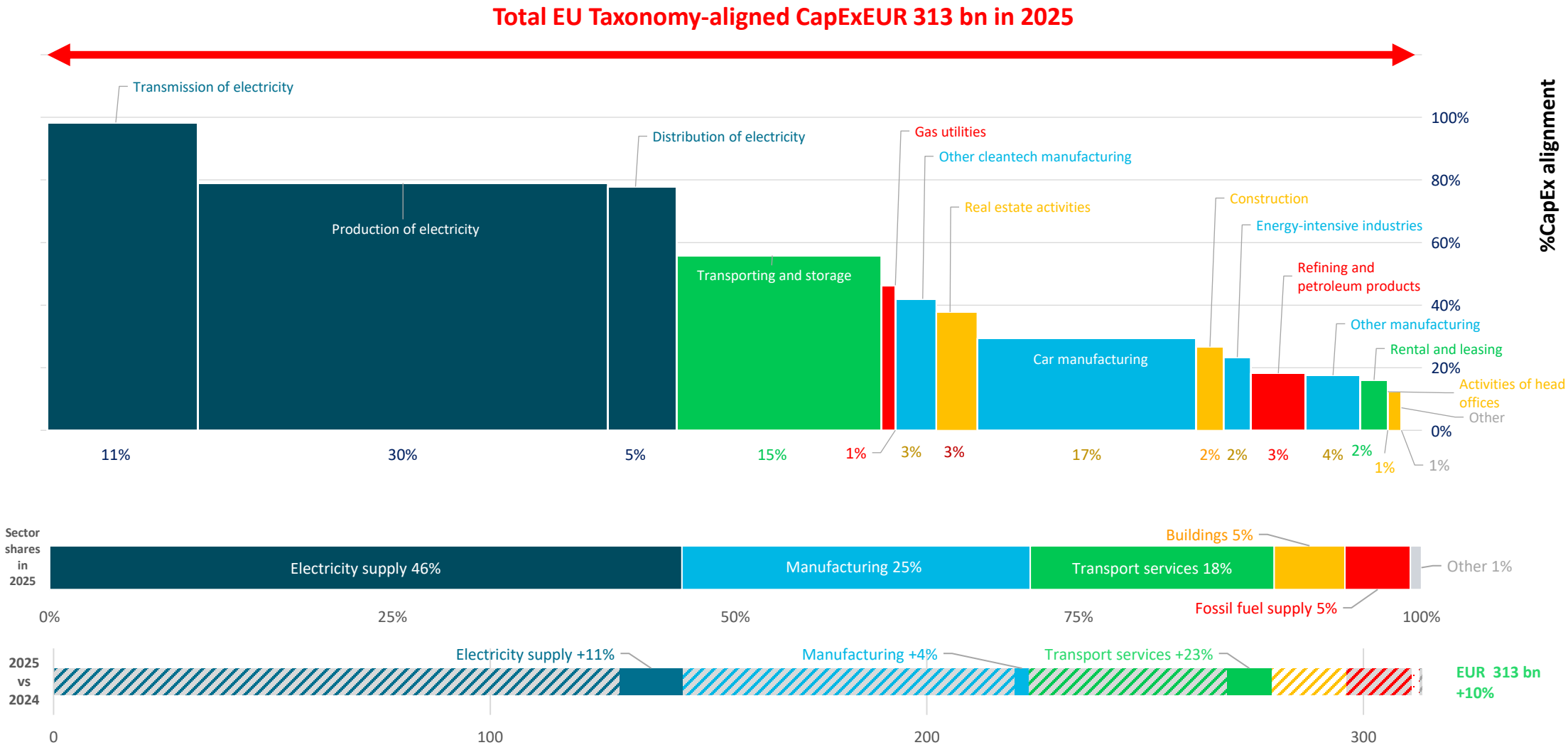
The destination of sustainable investments is largely country-dependent



Ireland not shown

Source: Own calculations, based on Morningstar data. Note: This country breakdown reflects the domiciliation of reporting entities rather than the actual location of physical investment, which is beyond the scope of this analysis.

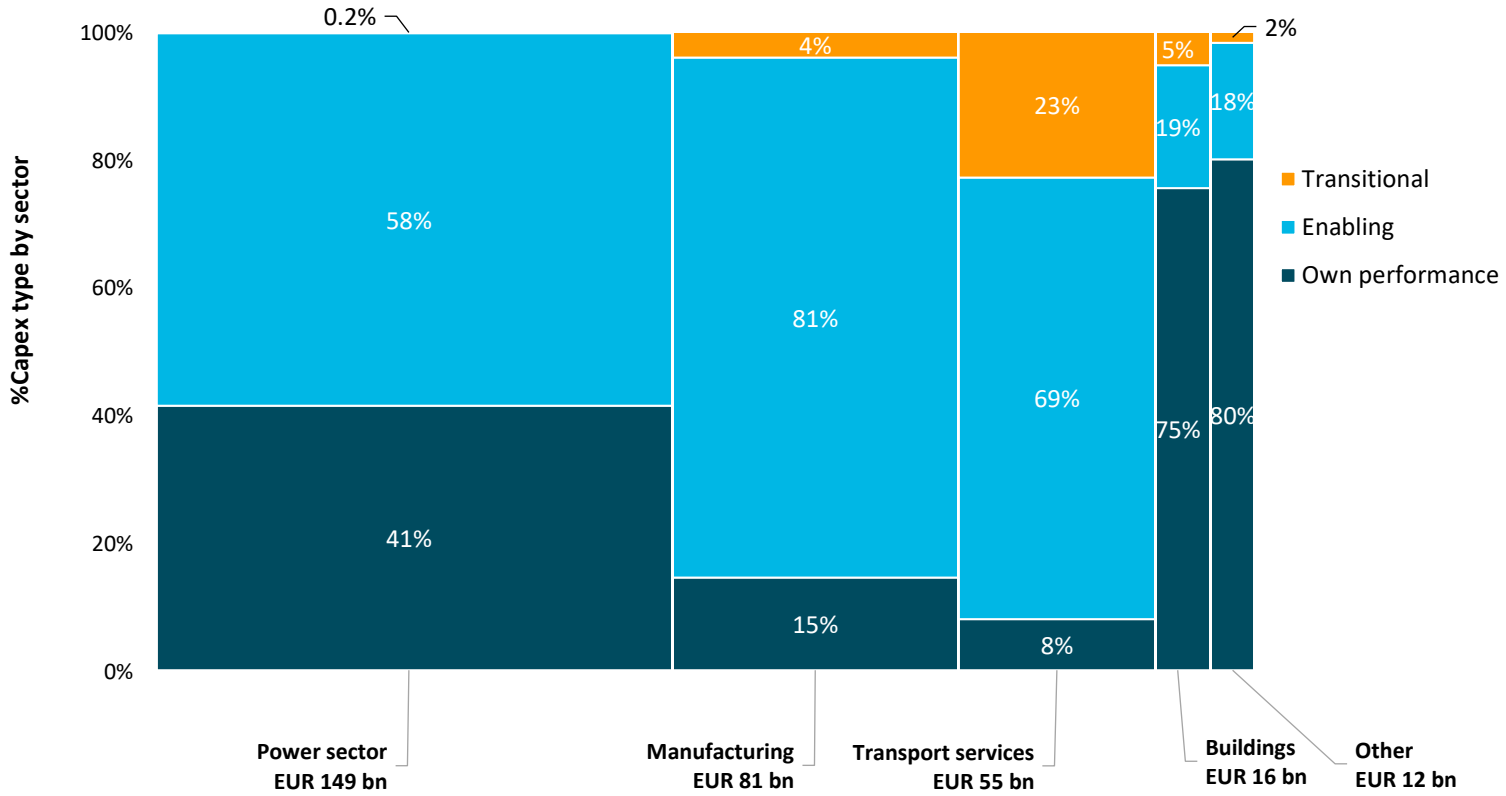
Sustainable investments are on the rise across the board



Source: Own calculations, based on Morningstar data.

Note: NACE sectors are presented here to document the sectoral origin of sustainable investment. The destination of this investment is examined later in the report through an activity-level lens. “Gas utilities” refers to the distribution of gaseous fuels through mains (i.e. town gas supply) and excludes gas-fired power generation. “Refining and petroleum products” refers to manufacturing activities that include the production of biofuels, hydrogen and basic chemicals. This differs from oil and gas extraction.

Most sectors are still paving the way for sustainable activities



Total aligned CapEx **EUR 313 billion**

122 activities

Source: Own calculations, based on Morningstar data.

Note: Taxonomy activities are classified as: **Own-performance** (activities directly improving the environmental performance of an undertaking's operations), **enabling** (activities that enable environmental improvements in other sectors or activities), and **transitional** (activities in hard-to-abate sectors that support the transition to climate neutrality where no feasible low-carbon alternative is yet available)

CAPEX STILL FOCUSED ON ENABLING ACTIVITIES

- **Power sector aligned Capex evenly split,** with 58% towards enabling activities and 41% to own performance activities.
- **Buildings is the outlier,** with 75% of aligned Capex allocated to own performance activities.
- **Manufacturing and Transport largely allocated Capex to enabling activities,** reflecting energy transition investments.

EU Taxonomy data also enables analysis of how companies allocate their reported aligned Capex per Capex type (own performance, enabling or transitional). This granularity is crucial for understanding how each sector defines its transition pathway.

Unsurprisingly, the power sector shows a relatively balanced allocation between enabling activities (58%) and own performance (41%). This reflects the specific characteristics of the sector, where electricity generation, transmission and distribution constitute core business activities and are therefore key areas for Taxonomy-aligned investment.

Manufacturing and transport, by contrast, allocate a substantial share of aligned CapEx to enabling activities, at 81% and 69% respectively. This points to transition pathways that rely heavily on clean energy and underscores the importance of economy-wide electrification in channelling clean and renewable energy to Europe's core industrial sectors.

The buildings sector shows a different pattern. Aligned investment is concentrated in the sector's own activities, reflecting the application of EU Taxonomy criteria to investment in greener buildings.

Manufacturing Investment Broadens the Industrial Base of Europe's Green Transition

CLEAN MOBILITY LEADS A BROADER MANUFACTURING TRANSITION

Taxonomy-aligned manufacturing CapEx reached EUR 81 billion in 2025, up 4% year on year. Car manufacturing remains the principal driver, accounting for 64% of the total, mostly through investment in low-carbon transport technologies. Yet the data reveals a broader industrial transition. Other cleantech manufacturing represents 10%, including equipment supporting renewable energy, electrification and energy efficiency. Heavy manufacturing contributes 7%, essentially covering investment in steel, cement, paper and aluminium production. The chemical industry does not yet exhibit tangible signs of transformation at scale. A further 11% relates to the transformation of fossil-fuel activities and 7% to other manufacturing.

These smaller segments matter because they supply technologies, materials and industrial capabilities required across the wider economy. The composition therefore extends beyond final electric vehicles to the equipment and intermediate inputs supporting cleaner energy, buildings and production processes. Manufacturing investment is nevertheless highly concentrated in a limited number of activities and large corporate groups.

The overall figure should consequently be read as a strong directional signal, rather than as a comprehensive measure of green investment across the entire EU manufacturing base.

ACTIVITY-LEVEL DATA SHOWS WHERE INDUSTRIAL CAPACITY IS EXPANDING

The EUR 2.8 billion increase in Taxonomy-aligned manufacturing CapEx reflects a selective reallocation of industrial investment, rather than broad-based expansion. Growth is concentrated in a limited number of countries and activities, while several sizeable manufacturing markets record contractions. Transport technologies remain the principal contributor, indicating that clean mobility continues to anchor capital formation across the automotive value chain. Investment is also shifting towards digital solutions, clean-energy technologies and enabling infrastructure, suggesting that manufacturing capacity is developing around the electrification, connectivity and decarbonisation of the wider economy.

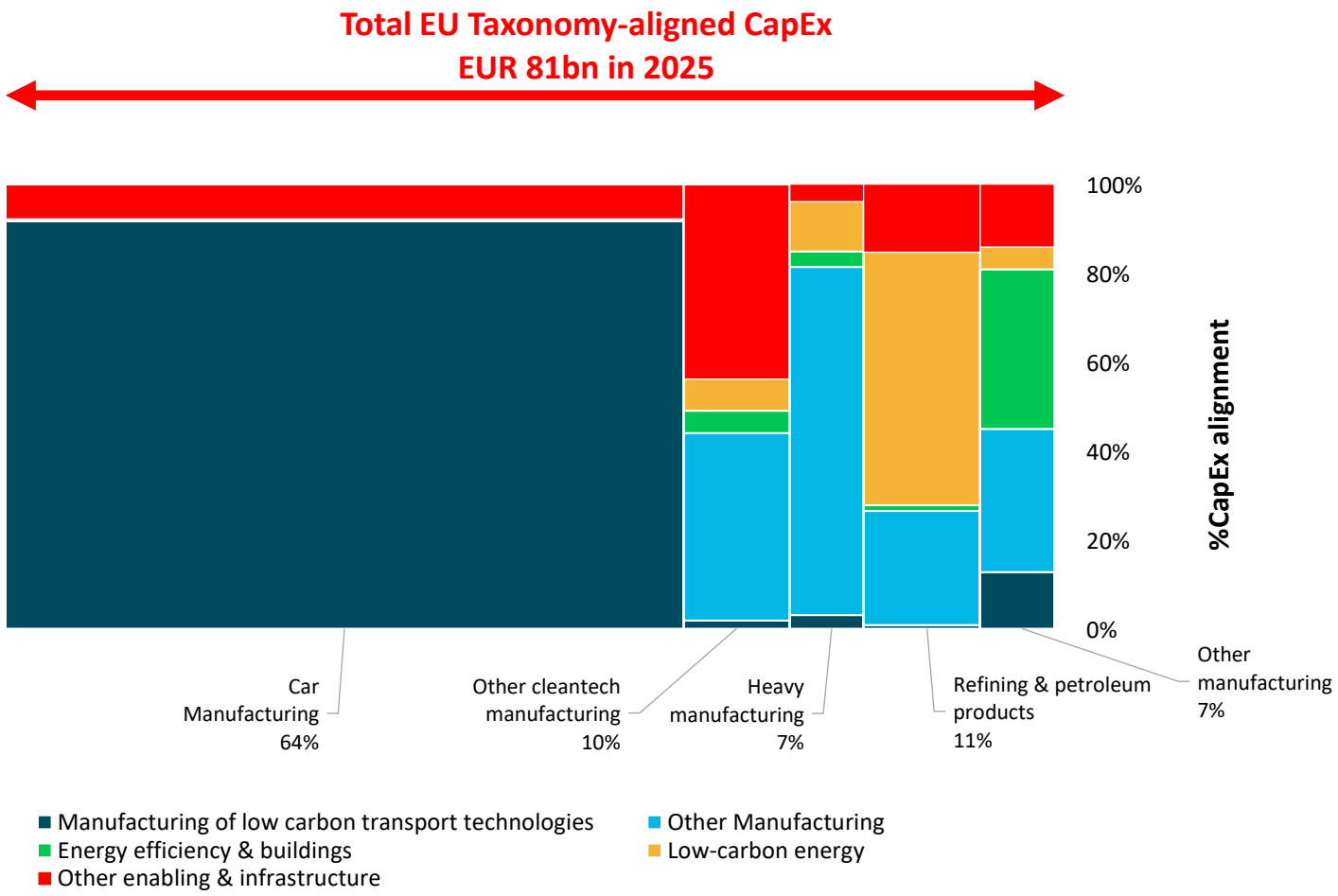
However, these gains coexist with declining investment in buildings-related equipment and parts of heavy and low-carbon industry. The resulting pattern is one of structural differentiation: capital is expanding in selected strategic technologies without yet producing a generalised transformation of Europe's manufacturing base. The Taxonomy therefore complements conventional output and sentiment indicators by identifying where companies commit sustainable capital despite a challenging operating environment. Realising the wider industrial benefits will depend on how extensively these technologies are deployed across the economy.

TRACKING CLEAN TECHNOLOGIES FROM MANUFACTURING TO DEPLOYMENT

The findings also illustrate the importance of CapEx type C enshrined in the Taxonomy Disclosures Delegated Act. Manufacturers mainly present investment in their own Taxonomy-aligned activities. But type C recognises purchases of outputs from aligned activities and individual measures undertaken through which companies green their assets or processes, including where their principal economic activity is not itself Taxonomy-aligned or Taxonomy eligible. This is particularly relevant for industrial electrification, energy-efficient equipment, onsite renewable energy, cleaner vehicle fleets as well as digital energy-management systems and, subject to suitable criteria, other measures connected to non-climate environmental objectives.

Yet transparency alone does not overcome the financing risks associated with industrial transformation. Public risk-sharing instruments can complement the Taxonomy by improving project bankability and mobilising private capital: InvestEU mobilised nearly EUR 300 billion in investment over its first four years; by end-2025, EUR 162.9 billion of investment supported the industrial transition towards climate neutrality and digital leadership (Source: InvestEU map and indicators).

The transition in Manufacturing



EUR 81 bn in 2025

+4% relative to 2024

553 reporting entities in 2025

-4% relative to 2024

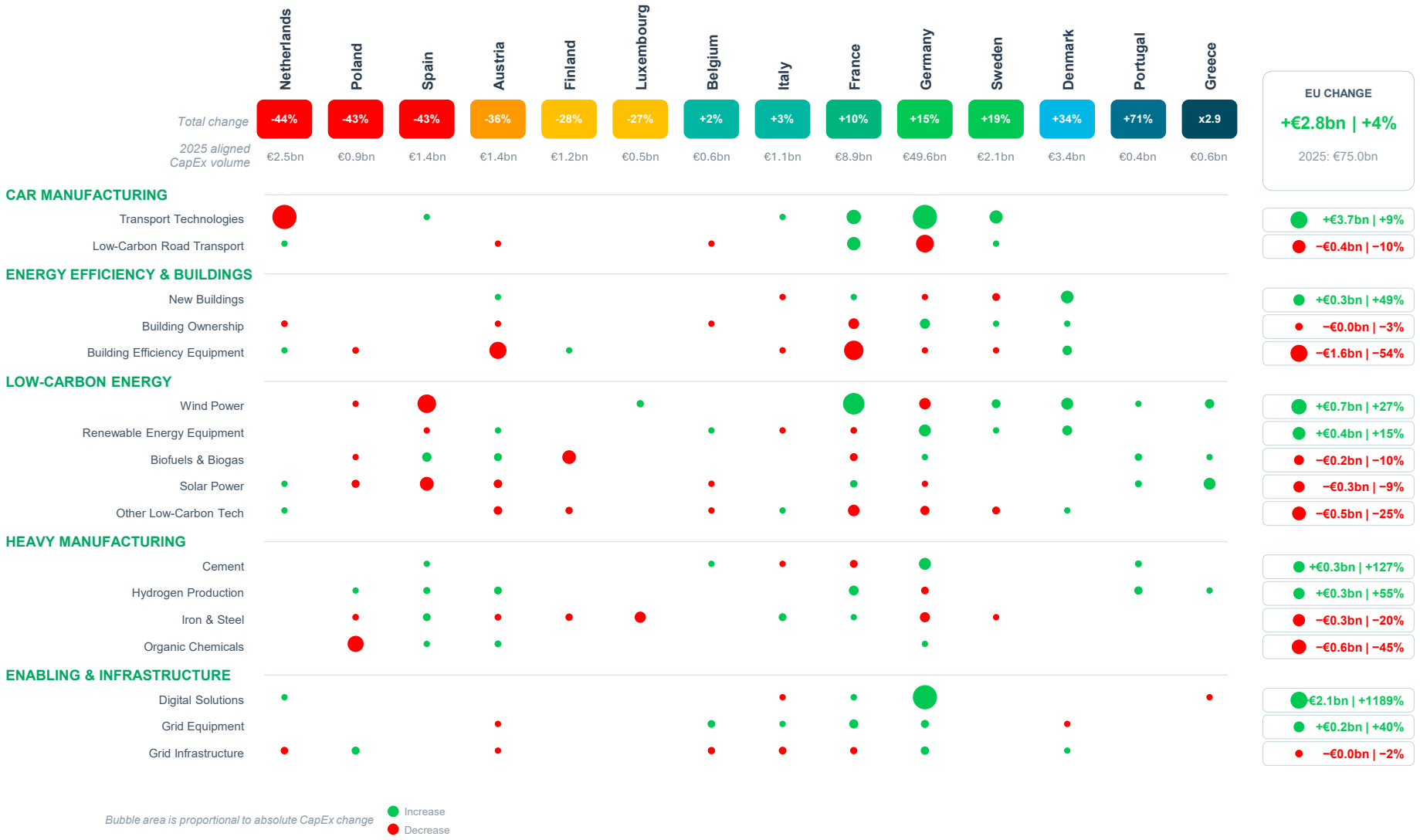
697 reported activities in 2025

-16% relative to 2024

Source: Own calculations, based on MorningStar data.

Note: The manufacturing category referred to as “Refining & petroleum products” corresponds to investments in wind and solar capacities, power distribution networks, as well as the production of biofuels, hydrogen and basic chemical products.

Clean Technologies and Digital Enablers Drive Manufacturing Investment Growth



EUR

+2.8bn

In Manufacturing aligned CapEx

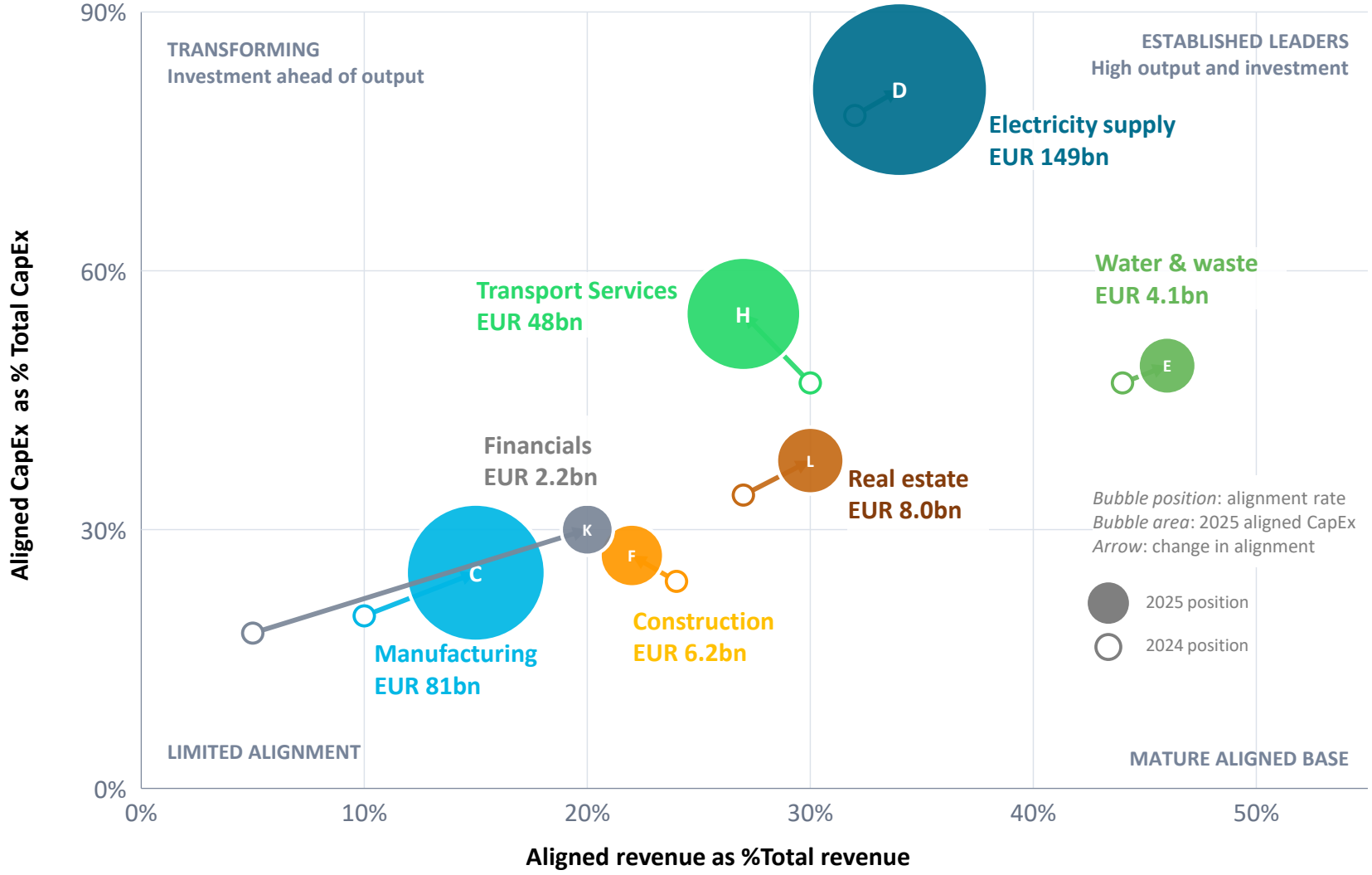
+4% year on year | EUR 81bn in 2025

Contrasted country-level outcomes

- The Netherlands' decline largely reflects a change in one large company´s reporting, rather than an equivalent contraction in Dutch manufacturing activity.
- Poland's fall is concentrated in organic chemicals and appears linked to reduced reporting by major chemical groups.
- Germany records sustained automotive investment despite subdued demand, cost pressures and intensifying Chinese competition. The Taxonomy thus provides a capital-allocation perspective that can differ materially from production, sentiment and short-term business indicators.

Source: Own calculations, based on Morningstar data. Note: Selected countries and activities shown; values do not sum to Manufacturing total in 2025.

Where sustainable revenues stand, and where capital is moving



Source: Own calculations, based on Morningstar data.

GREEN CAPEX AND GREEN REVENUES

- **Most sectors combine a higher relative alignment of Capex and Revenues**, a direction of travel suggesting a broadening of the transition.
- **Manufacturing, Real Estate, Water & Waste and electricity-related sectors improved both relative Capex and Revenue alignment**, a combination indicating an increasingly green-activity-based business model based on green activities.

EU Taxonomy data is also informative about the proportion of Revenues and Capex alignment relative to the overall business activity and investments. By analysing relative alignment, assessments can smooth over business cycles, where revenues fluctuate in absolute terms (due to temporary increases or decreases in activity), avoiding distortion of the underlying picture.

The trend from 2024 to 2025 suggests most sectors have both a higher percentage of aligned Capex and aligned Revenues, signalling not only increased green investment but also a larger share of total Revenues linked to green activities.

This broadly confirms that green activities can constitute a sizeable part of companies' profitability, with the electricity sector leading the way. Sectors may also rely on the implementation of individual measures to drive their Capex alignment proportion higher, often by producing their own green energy or undertaking retrofitting measures.

Taxonomy-aligned CapEx tops EUR 1.2 trillion, with investment increasingly concentrated around electricity supply

EUR
+330 billion
Added EU Taxonomy-aligned Capex in 2025

+1.2 trillion
EU Taxonomy-aligned Capex since 2022

GREEN CAPEX SECTOR BREAKDOWN

Electricity Supply	**46%**
Manufacturing	**25%**
Transport Services	**18%**

BY ACTIVITY

Production of Electricity	**EUR +93.9bn**
Car Manufacturing	**EUR +53.2bn**
Transporting and Storage	**EUR +46.9bn**
Transmission of Electricity	**EUR +34.4bn**
Distribution of Electricity	**EUR +15.7bn**

EVOLUTION VS 2024

Transport Services	**+23%**
Electricity Supply	**+11%**
Manufacturing	**+4%**
Overall	**+5%**

Reported EU Taxonomy-aligned Capex increased by 5% in 2025 relative to 2024

Sources: Morningstar.

Electrification of the European economy and its stages

A five-stage process: energy and construction sectors as key players

Electrification is the transmission mechanism for a wider transition

TAXONOMY REPORTING REVEALS ELECTRIFICATION AS THE ORGANISING PRINCIPLE OF THE TRANSITION

The first three years of Taxonomy reporting provide an increasingly robust picture of where transition-related investment is taking place. Across the 122 activities reported in 2025, aligned CapEx is concentrated in pathways linked to clean power, electricity networks, low-carbon transport, electrified buildings and related technologies. Taken together, these investments form a coherent electrification story rather than a collection of isolated green activities.

The pattern visible across the activity rankings and transition pathways suggests that companies are deploying capital towards the infrastructure, technologies and assets required to replace fossil fuel consumption with clean electricity. In this sense, Taxonomy-aligned CapEx provides more than a measure of environmental performance. It offers a unique lens on how the transition is materialising across sectors and where Europe is building the foundations of its future energy and industrial system.

CLEAN POWER COMES FIRST

The largest transition pathway by a wide margin remains Clean Power, Grids and Flexibility. This concentration reflects the fact that electrification cannot occur without sufficient low-carbon electricity generation, transmission capacity and system flexibility. Renewable electricity, networks, storage and related infrastructure therefore act as enabling assets whose impact extends far beyond the power sector itself.

The electrification value-chain analysis reinforces this finding. More than 60% of aligned CapEx is currently directed towards deployment and network infrastructure, compared with 13% directed towards electrified end-use applications. This suggests that European investment remains focused on expanding the supporting backbone of the transition. The build-out of clean power systems is not the final objective of the transition, but the prerequisite that makes decarbonisation elsewhere possible.

ADOPTION IS THE NEXT FRONTIER

The long-term success of electrification will depend on the speed with which low-carbon electricity is absorbed by the real economy. Taxonomy-aligned investment already points to growing deployment of electric vehicles, rail systems, electrified buildings, low-carbon industrial technologies and supporting equipment. These investments indicate that the transition is beginning to move downstream from energy supply towards energy use.

Over time, a larger share of aligned CapEx will need to be reflected in productive assets that use clean electricity rather than in assets that generate or transport it. This will be particularly important for industrial competitiveness, energy security and household affordability. Electrification therefore acts as the transmission mechanism through which investments in clean power ultimately generate emissions reductions, productivity gains and economic value across the wider European economy.

Electrification can turn decarbonisation into an industrial advantage

CLEAN POWER IS BEGINNING TO TRANSFORM THE REAL ECONOMY

Electrification connects Europe's climate objectives with industrial competitiveness, lower dependence on imported fossil fuels and the development of domestic clean-technology capacity. Renewables reached 49.9% of gross EU electricity consumption in 2025, but electricity still represented only around 23% of final energy consumption. Most energy use therefore remains dependent on petroleum products, gas and other fuels.

Taxonomy-aligned investment captures the first stages of this structural transformation. Electricity supply represented 46% of aligned CapEx in 2025, reflecting major investment in generation, transmission and distribution. Investment is now extending into the wider economy: aligned CapEx in manufacturing and transport services increased respectively by 4% and 23% year on year.

The next phase depends on coordinated investment in generation, upgrade of grids, storage and flexible demand. Without sufficient network and storage capacity, additional renewable generation cannot reliably support industrial electrification or translate into structurally competitive energy costs. System-wide investment will also be needed to preserve reliability as buildings, transport and industrial processes electrify.

EUROPE INVESTS IN DEPLOYMENT, BUT NOT YET ACROSS THE FULL VALUE CHAIN

Across the electrification value chain, 60.9% of aligned CapEx in 2025 was concentrated in deployment and networks, including generation assets, electricity transmission and distribution, rail infrastructure, and storage. Equipment and systems accounted for a further 19.5%, while electrified end use represented 13%.

Investment in upstream activities remained considerably thinner. Materials and feedstocks accounted for 1.7% of aligned CapEx and components and cells for only 0.7%. These stages include critical materials, batteries, electrical components, solar cells and other inputs required to manufacture and deploy clean technologies. Their limited shares reveal an imbalance between investment in infrastructure deployment and the EU industrial capacity needed to supply it.

Addressing this imbalance is central to competitiveness and strategic autonomy. Electrification reduces exposure to imported fossil fuels, but its wider economic value depends on Europe capturing more investment in clean technologies, electrical equipment, storage and strategic materials. Circularity, materials recovery and substitution can further reduce dependence on imported primary resources.

BUILDINGS SHOW WHY INVESTMENT AND FINANCING FLOWS MUST BE READ TOGETHER

Buildings and construction connect infrastructure, industry and households. Construction companies deliver grid connections, substations, renewable installations and transport infrastructure. New buildings and renovations generate demand for low-carbon materials, electrical equipment, controls, heat pumps, rooftop solar and electricity storage. Buildings are also the principal interface through which households participate directly in electrification.

Construction and real-estate activities accounted for around 5.3% of Taxonomy-aligned CapEx in 2025, equivalent to approximately EUR 15.9 billion. Their significance is considerably greater when financing flows are included. Green buildings are the largest destination of reported European green-bond allocations, while mortgages represent most green lending to households.

Corporate CapEx and financing data therefore provide complementary perspectives. A sector's reported investment does not capture all capital directed towards its transformation. Financing may be recorded by a bank, bond issuer, public agency or household rather than by the company constructing or installing the asset.

Aligned Capex: Where the transition is happening

TRANSITION PATHWAY	1	2	3	4	5	6	7	8	9	10	PATHWAY TOTAL
CLEAN POWER, GRIDS & FLEXIBILITY	Electricity T&D 84.8	Wind power 33.2	Solar PV 14.3	Existing nuclear 14.2	Hydropower 3.3	Electricity storage 3.1	New nuclear 1.6	Renewables installation 1.3	Geothermal power 0.3		156.1 (9 activities)
INDUSTRIAL TRANSFORMATION & CLEAN-TECH SUPPLY	Low-carbon transport tech 47.7	Renewable-energy tech 3.3	Other low-carbon tech 1.5	Iron & steel 1.4	Building-efficiency equipment 1.4	Mobility components 1.0	Grid electrical equipment 0.8	Batteries 0.7	Cement 0.5		58.3 (9)
SUSTAINABLE MOBILITY & TRANSPORT SYSTEMS	Rail infrastructure 28.1	Cars & light vehicles 12.0	Air transport 6.9	Interurban passenger rail 4.1	Low-carbon road & PT infrastructure 3.9	Urban & road passenger transport 0.8	Maritime freight & ports 0.8	Rail freight 0.7	Low-carbon maritime infra 0.3	Cycling & mobility infrastructure 0.2	58.0 (10 shown)
EFFICIENT, ELECTRIFIED BUILDINGS & HEAT	Building ownership 10.9	New buildings 2.8	Building renovation 1.1	District heating & cooling 1.0	Efficiency-equipment installation 0.9	Building controls 0.8	EV charging in buildings 0.4				17.8 (7)
HYDROGEN, RENEWABLE GASES & SUSTAINABLE FUELS	Renewable-gas networks 2.7	Biogas & biofuels 1.9	Hydrogen production 1.1	Bioenergy power 0.8	Bioenergy cogeneration 0.6	Hydrogen equipment 0.3					7.4 (6)
CIRCULAR RESOURCES, WATER & NATURAL CAPITAL	Water-supply infrastructure 0.9	Water supply 0.9	Urban wastewater treatment 0.7	Materials recovery 0.3							2.7 (4)
DIGITAL & SYSTEM ENABLERS	Digital optimisation 2.3										2.3 (1)
OTHER / NOT MAPPED	Road & PT infrastructure 1.9	Product-as-a-service 1.7	Organic basic chemicals 0.7	GHG data solutions 0.5	Hazardous waste treatment 0.5	Geological CO2 storage 0.4	Segregated waste collection 0.4	Fossil-gas cogeneration 0.3	Repair & remanufacturing 0.2	Plastics in primary form 0.2	10.1 (10 shown)

ACTIVITY RANK WITHIN PATHWAY

ACTIVITY CELL COLOR = ALIGNED CAPEX INTENSITY

≥70 | 40–70 | 20–40 | 10–20 | 5–10 | 2–5 | 1–2 | 0.5–1 | 0.25–0.5 | <0.25 EUR bn

TOTAL ALIGNED CapEx

EUR 313 billion 122 activities

Source: Own calculations, based on Morningstar data.

Where 2025 aligned CapEx sits along the electrification value chain



1 MATERIALS & FEEDSTOCKS

EUR 5.4 bn | 1.7%

10 activities

Manufacture of Biogas and Biofuels for use in Transport and of Bioliquids	1.9
Manufacture of Iron and Steel	1.4
Manufacture of Organic Basic Chemicals	0.7
Manufacture of Cement	0.5

2 COMPONENTS & CELLS

EUR 2.1 bn| 0.7%

5 activities

Manufacture of Automotive and Mobility Components	1.0
Manufacture of Batteries	0.7
Manufacturing of Aircraft	0.15
Manufacture of Rail Rolling Stock Constituents	0.15

3 EQUIPMENT & SYSTEMS

EUR 61 bn | 19.5%

13 activities

Manufacture of Low Carbon Technologies for Transport	47.7
Manufacture of Renewable Energy Technologies	3.3
Provision of IT/OT Data-driven Solutions	2.3
Manufacture of Other Low Carbon Technologies	1.5

4 DEPLOYMENT & NETWORKS

EUR 190 bn | 60.9%

23 activities

Transmission and Distribution of Electricity	84.8
Electricity Generation from Wind Power	33.1
Infrastructure for Rail Transport	28.1
Electricity Generation Using Solar Photovoltaic Technology	14.3

5 ELECTRIFIED END-USE

EUR 40.5 bn | 13.0%

14 activities

Transport by Motorbikes, Passenger Cars and Light Commercial Vehicles	12.0
Acquisition and Ownership of Buildings	10.9
Passenger and Freight Air Transport	6.9
Passenger Interurban Rail Transport	4.1

UPSTREAM DEPTH

Materials + components represent 2.4% of total aligned CapEx.

TECHNOLOGY CAPACITY

Equipment is 19.5%, concentrated in low-carbon transport technology.

DEMAND ADOPTION

Electrified end-use is 13.0% versus 60.9% for deployment.

OTHER / UNRELATED

57 activities | EUR 13.3 bn | 4.3%

Source: Own calculations, based on Morningstar data.

Buildings connect sustainable finance, infrastructure investment and electrification

CONSTRUCTION AND REAL ESTATE ATTRACT A DISPROPORTIONATE SHARE OF SUSTAINABLE FINANCE RELATIVE TO REPORTED TAXONOMY CAPEX

Construction and Real Estate account for 5.3% of EU Taxonomy-aligned CapEx in 2025, equivalent to EUR 15.9bn of investment, compared with an estimated 8.9% share of EU GDP. Reported alignment is concentrated in own-performance activities (75%), while enabling activities account for only 17% of aligned CapEx. This comparatively modest direct investment footprint, however, understates the sector's importance for the broader transition.

The sector is one of the largest recipients of sustainable finance in Europe. Green buildings represent the largest destination category for green bond proceeds, accounting for 29.8% of allocated funding. Allocations span the construction of new buildings (13%), acquisitions (9%), renovations (7%) and maintenance activities (1%). The gap between reported Taxonomy-aligned investment and financing volumes highlights the broader role of buildings as a conduit through which capital reaches households, supports energy efficiency improvements and enables electrification across the economy.

GREEN LENDING TO HOUSEHOLDS POSITIONS BUILDINGS AT THE CENTRE OF THE LOW-CARBON FINANCING ECOSYSTEM

The importance of buildings becomes even more apparent through green lending. Of approximately EUR 1.2 trillion in green loans outstanding in 2024, around EUR 682bn, or 55%, were directed to households, representing a 23% increase compared with 2023. Within this total, EUR 615.5bn consisted of loans collateralised by real estate, while approximately EUR 14bn financed building renovation activities directly.

These figures underline the central role of residential buildings in connecting sustainable finance with decarbonisation outcomes in the real economy. Green mortgages and renovation finance have become among the largest channels through which financial institutions support household electrification, energy efficiency improvements and emissions reductions. The sector's significance is likely larger than corporate reporting data alone suggest. Construction and real estate activities involve extensive SME participation and household investment that remain only partially visible through Taxonomy reporting. Nevertheless, their dominant presence in both green lending and green bond markets points to a systemic role in financing Europe's transition and improving the energy performance of the building stock.

BUILDINGS PARTICIPATE IN MULTIPLE STAGES OF THE ELECTRIFICATION VALUE CHAIN

Buildings occupy a unique position within the electrification transition, contributing across multiple stages of the value chain. First, they drive electrified demand. Heat pumps, electric heating systems and appliances shift energy consumption from fossil fuels to electricity, making buildings – including industrial facilities – one of the largest sources of additional power demand and a major driver of generation and grid investment.

Second, construction activities underpin the deployment of electricity infrastructure. The delivery of substations, cable routes and grid connections relies heavily on construction and engineering activities before these assets become operational network infrastructure. Third, renovation and new-build projects generate demand for materials including steel, aluminium, glass and cement, as well as electrical equipment such as wiring, controls and heating systems. Finally, buildings are where many end-use technologies are deployed, including heat pumps, batteries and rooftop solar systems. Their presence across demand creation, infrastructure deployment, industrial supply chains and end-use technology adoption makes buildings one of the most interconnected sectors in Europe's electrification journey.

Additional investment supporting the transition beyond Taxonomy alignment

Integrating further investment flows to provide an additional perspective on the state of the green transition

Beyond Taxonomy alignment: CapEx of companies with credible transition plans

EUR

+182 billion

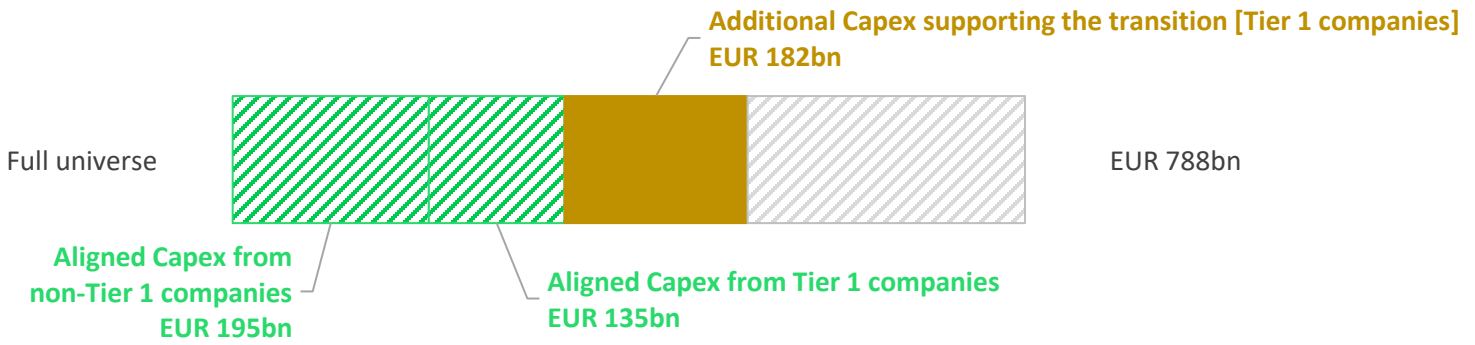
Additional CapEx supporting the transition

In addition to Taxonomy-aligned CapEx

2025

CAPEX SUPPORTING THE TRANSITION

Additional CapEx supporting the transition represents CapEx reported by companies whose transition plans exhibit sufficient elements of credibility to be classified as Tier 1 under the EU Platform's transition-plan methodology (2025) but not reported as Taxonomy-aligned. The classification is based on the Platform's assessment of voluntarily disclosed transition-plan data, using CDP's Net-Zero Alignment Dataset (NZAD) as the underlying data source. The metric therefore serves as a proxy for investment by companies whose disclosed transition plans demonstrate a high degree of credibility and progress towards decarbonisation.



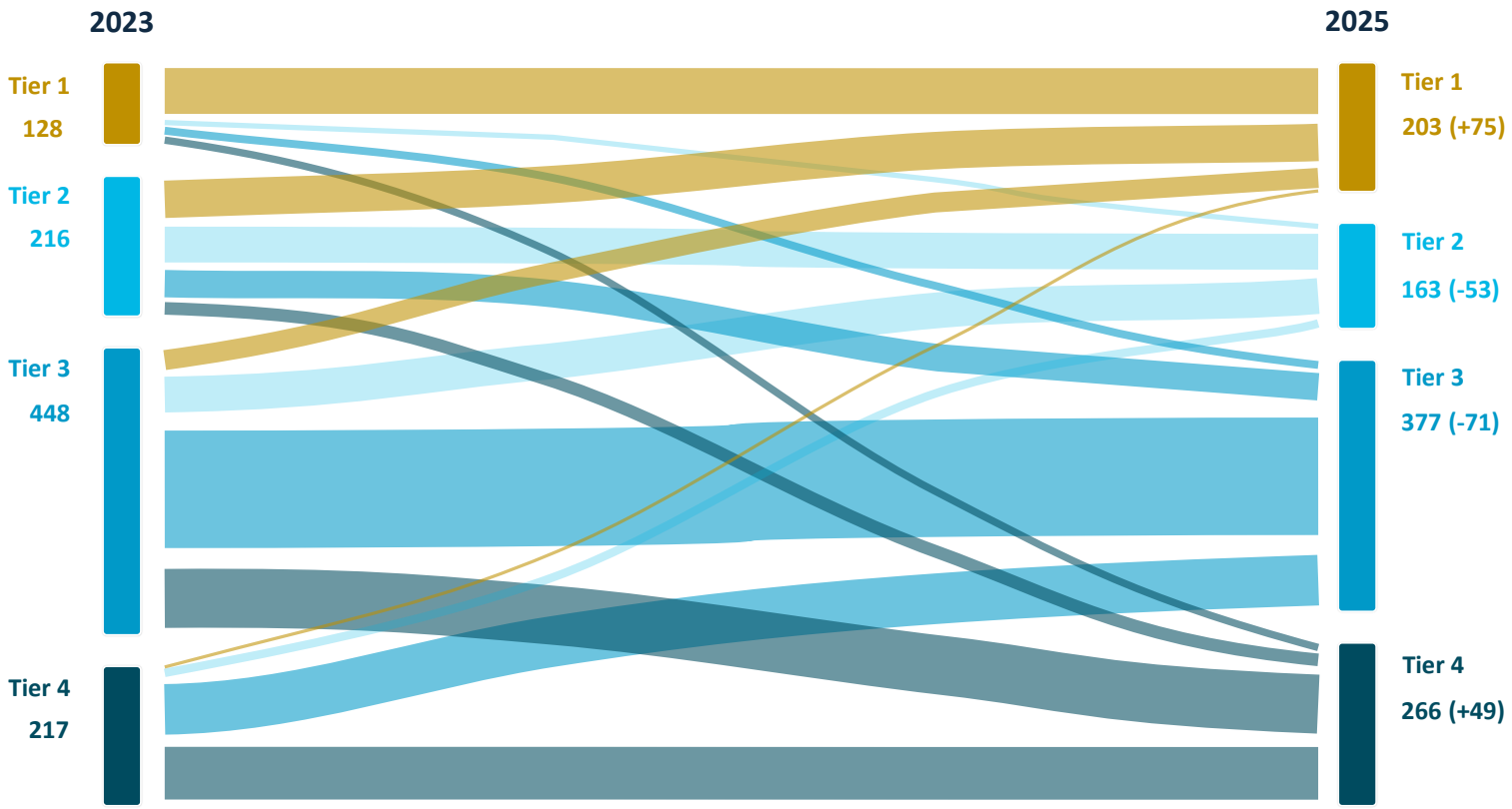
Elements of credible transition plans / Tier 1 companies

- Mid-term science-based targets (scopes 1, 2 and 3)
- Mitigation actions and emission disclosure
- Alignment of financial planning, board governance and incentives
- Commitment to cease fossil fuel expansion in short-term

See ***Annex*** and EU Platform on Sustainable Finance's *Monitoring Capital Flows to Sustainable Investments* Report (March 2025)

Source: CDP, Morningstar, Bloomberg.

Rising transition plan quality amid a more polarised landscape



Note: Exact company counts. Ribbon width is proportional to the number of companies moving between tiers. Comparable companies (n=1009)

Source: CDP Net-Zero Alignment Dataset (NZAD); EU PSF (2025b) methodology.

MORE COMPANIES PROPOSE CREDIBLE TRANSITION PLANS

- **Overall, transition plans have become more credible since 2023:** 112 companies moved from lower tiers to Tier 1, which marks a net change of +59%.
- **The distribution of companies has become more polarised:** The number of Tier 4 companies increasing by 22.6% as 49 companies moved into the lowest tier, mostly from Tier 3.
- **Most companies reaching Tier 1 strengthened the integration of transition plans into financial planning:** This reflects a shift from target-setting towards implementation and delivery.

While the largest downward flow was from Tier 3 to Tier 4, upward movements were more significant overall: 109 companies advanced from Tier 3 to Tier 1 or Tier 2, and 71 companies moved from Tier 2 to Tier 1.

The results point to a widening divide in transition planning. Many mid-tier companies are strengthening governance, financial integration and implementation capacity, while a smaller group is reducing the ambition or credibility of its transition plans.

The right incentives can unlock the full value of credible transition plans

UNLOCKING DEPENDENCIES

- **Companies listed policy, regulation and technology as the main dependencies**[1] for implementing their transition plans.
- This highlights the **importance of policy consistency to provide companies with the confidence to invest** in the transition, including to enable technologies to scale
- For most tier 4 companies (78%) **market economics is a key dependency** – suggesting that transition investments might not be always economically viable

Tier 1 companies identify a greater proportion of almost all categories of dependencies, highlighting that the process of transition planning correlates to a greater awareness and maturity of what the success of those plans is dependent upon. Tier 4, on the contrary, was the lowest disclosing group.

Among both transition leaders and laggards, regulation shapes whether, how quickly, and at what scale companies act. Policy consistency is therefore critical for investment confidence. Other key dependencies—market economics, infrastructure, and consumer behaviour—are also policy-linked, making the framework a crucial enabler of transition investment.

Companies increasingly recognise climate change as a risk – 53% of EU firms do so, according to the 2025 EIB Investment Survey – but transition plans still give insufficient attention to physical climate resilience. Clearer activity-based adaptation criteria could help close this gap and inform future monitoring.

LARGER EMISSION REDUCTION POTENTIAL

- **Companies with credible plans are more likely to report stronger progress against emission reduction targets,** reinforcing the value of transition plan assessments for investors, policymakers and supervisors.
- Companies in higher tiers show stronger median progress towards short-term Scope 1 and 2 targets and stronger performance relative to required trajectories

Credible transition planning appears to matter for delivery – Tier 1 companies have so far achieved 67% of their targeted scope 1 and 2 emission reductions, compared to only 34% for Tier 4. This suggests that progress against ambitious, science-based emission targets is feasible where sufficient resources are dedicated to implementation.

Tiers 2 and 3 companies also show strong progress against their targets – though this may also reflect weaker targets compared to science-based trajectories, particularly for tier 3.

The difference is even starker when it comes to performance against the efficient decarbonisation trajectory.

SHORTER PAYBACK PERIODS

- **Most emission-reduction initiatives with a quantified payback recover their cost within ten years. This pattern is strongest in Tier 1: 62.6% of all Tier 1 initiatives fall within the ten-year bands.**

Investments supported by credible transition plans are more likely to be commercially viable within the horizon of typical business and investment cycles.

Tier 4 companies on the other hand report a weaker economic case for emission reducing activities: 39.8% of initiatives have no payback information and 20.4% are recorded as having no payback, leaving only 39.8% with a quantified period.

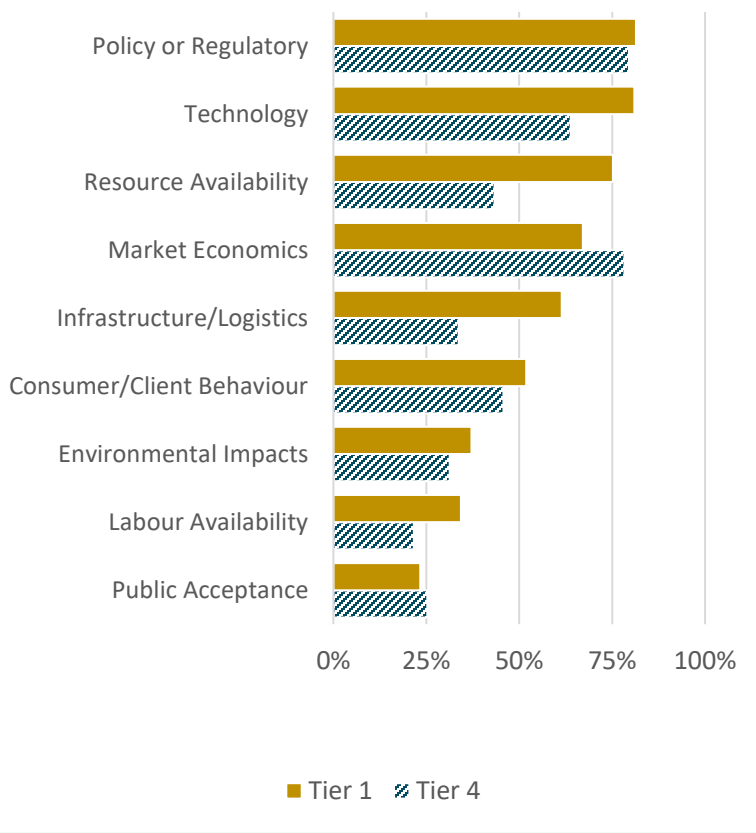
The lower visible share of payback initiatives for tier 4 is likely linked to weaker market incentives or less favourable project economics (as highlighted by the key dependencies), but it also reflects poor disclosure and a smaller base of initiatives; among the periods that are quantified, nearly all are still within ten years.

The delivery of more advanced transition plans would also benefit from the SFDR revision, namely with the introduction of a dedicated transition category, creating incentives for companies to upgrade their transition plans.

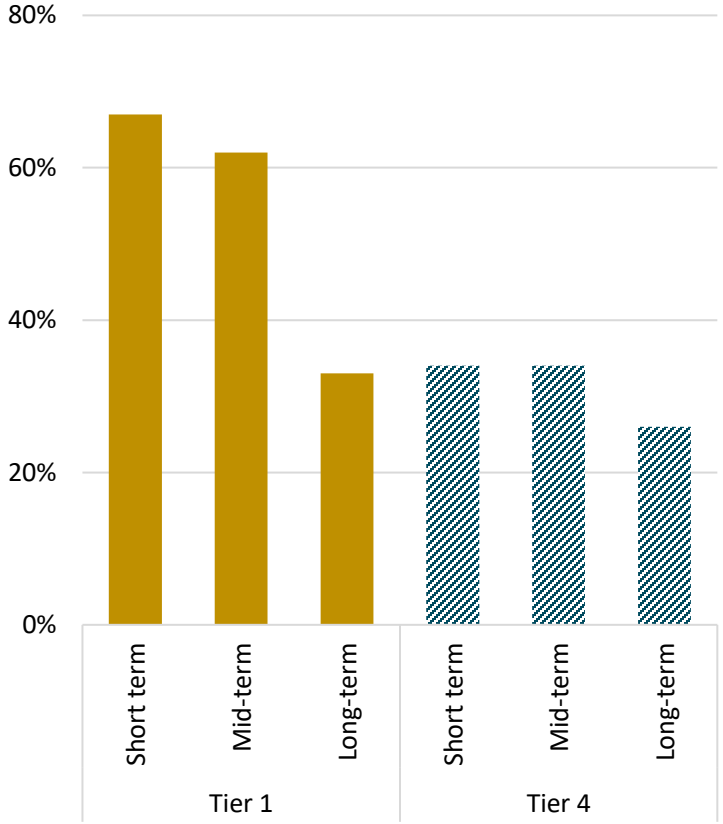
[1] See Pickard-Garcia, et al. (2024) and Rose, et al. (2025) for a typology of external physical and non-physical dependencies.

Successful implementation depends on policy and technology

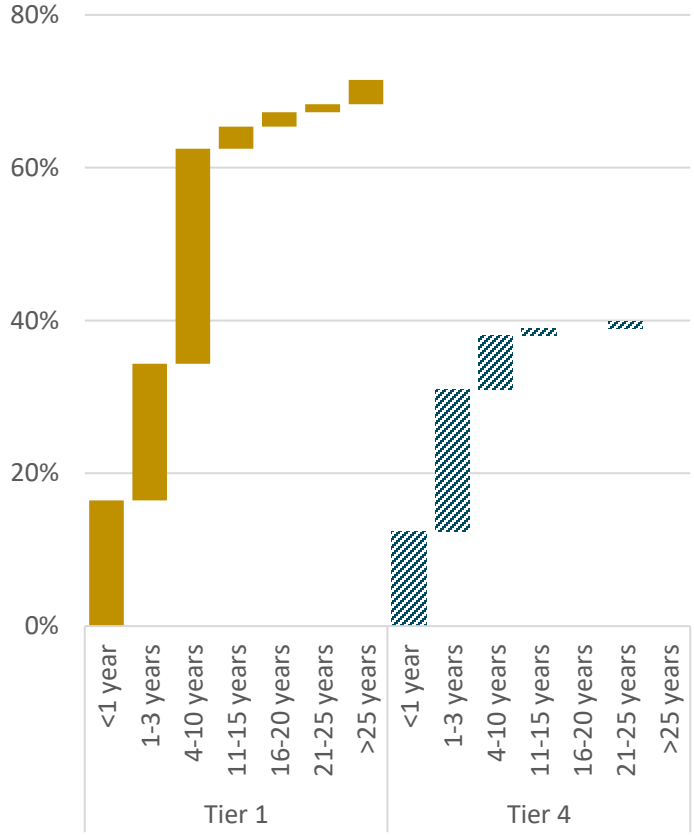
CORPORATE TRANSITION PLAN DEPENDENCIES



EMISSION REDUCTION POTENTIAL



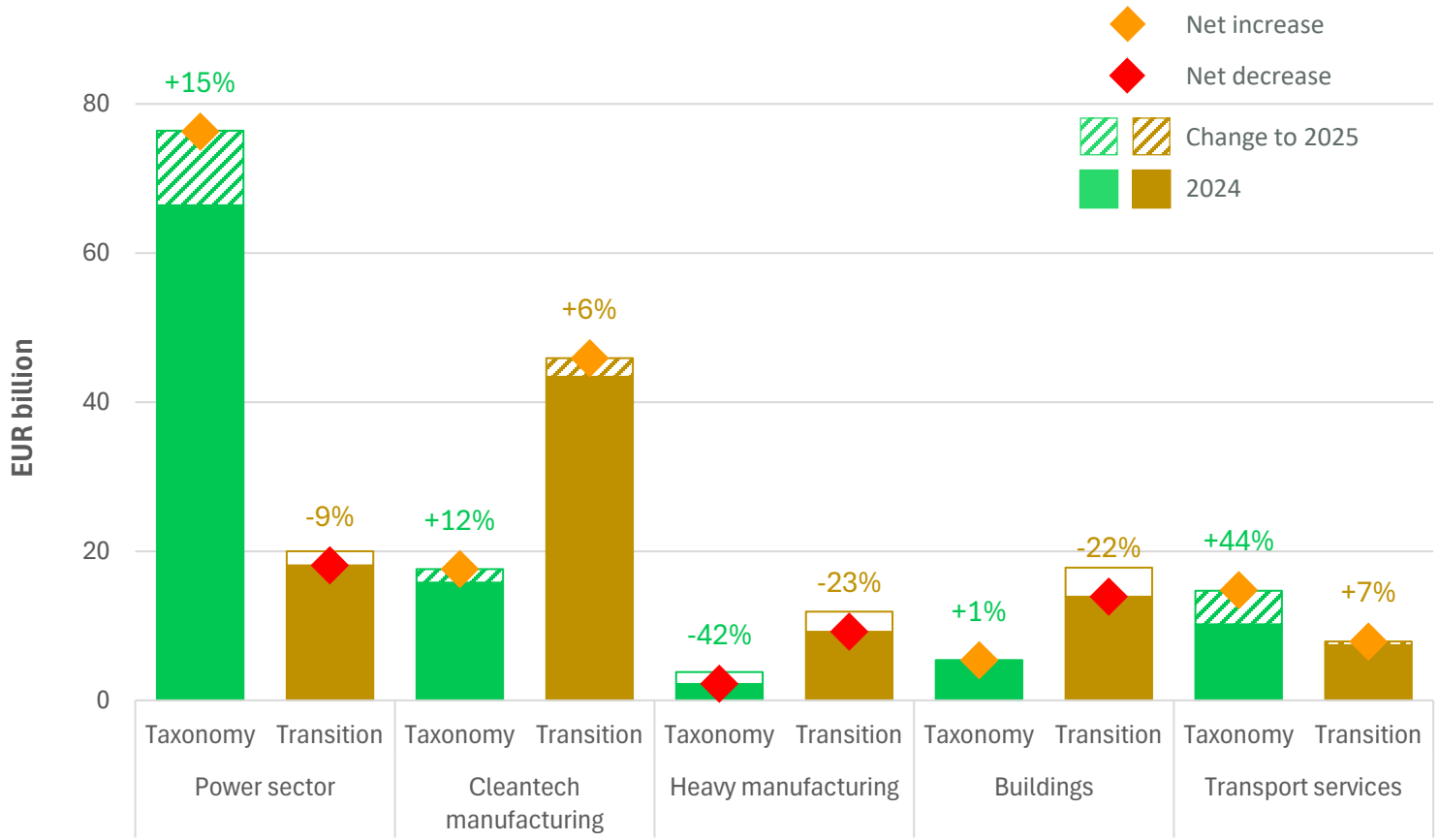
PAYBACK PERIOD BY EMISSION REDUCTION INITIATIVE



Source: CDP survey.

Note: Emission reduction initiatives notably include measures related to end-use energy efficiency, waste reduction, fugitive emission reductions, low-carbon generation and consumption, industrial processes.

Transition investments remain concentrated on the supply side



Additional Capex supporting the transition: **EUR 182 billion**

Source: Morningstar, CDP.

TIER 1 CAPEX BY SECTOR

- Additional CapEx supporting the transition by Tier 1 companies focused on the **continued build-out of clean power generation and the technologies needed to supply it.**
- **Additional CapEx supporting the transition fell in heavy manufacturing and buildings.** It rose only slightly in transport services.
- This highlights the need to **align clean-power supply with electrification, affordability and grid reliability.**

Investment remains heavily concentrated in the supply side of the transition. In 2025, the power sector and clean-tech manufacturing together accounted for approximately 67% of transition CapEx by Tier 1 companies across the five selected sectors. Within the power sector, Taxonomy-aligned CapEx rose 15% and transition-supporting Capex fell by 9%, suggesting that the sector's investment is becoming increasingly Taxonomy-aligned.

By contrast, demand-related sectors show a mixed and generally weaker picture. Additional CapEx supporting the transition fell in heavy manufacturing (-23%) and buildings (-22%). Transport services is the exception, with transition-supporting investment increasing modestly (+7%).

The pattern points to a widening challenge between clean-electricity supply and the electrification of demand. Europe must not only produce more low-carbon power; it must also integrate growing demand from electric vehicles, heat pumps, batteries and industrial electrification. Delivering both sides together - while maintaining affordability, grid reliability and system flexibility - will be critical to turning additional clean generation into economy-wide emissions reductions.

Part I – Round Up

FROM TRANSITION MOMENTUM TO PRODUCTIVE INVESTMENT AT SCALE

Part I shows that sustainability-related investment has become a material component of corporate capital allocation. In 2025, large EU companies reported EUR 512 billion of sustainability-related CapEx, equivalent to 21% of their total investment. This included EUR 330 billion of Taxonomy-aligned CapEx, up 5% from 2024, and EUR 182 billion of additional CapEx supporting credible transitions under the report's proposed methodology.

The direction of travel is increasingly visible, but investment remains uneven. Capital is concentrated in power, networks and enabling technologies, while upstream clean-technology capacity and electrified end use remain less developed. The geographical concentration of investment and the reduced momentum in key demand-side sectors reinforce the same conclusion: Europe is expanding the supply of clean energy faster than its capacity to absorb it across the wider economy.

Corporate transition plans add an important qualitative dimension. More companies are reaching the highest credibility tier, with stronger emissions progress and more favourable investment economics. Yet the polarisation between leading and lagging companies indicates that credible planning has not become the norm across the corporate sector.

The next phase is to connect Europe's savings more effectively with productive transition investment.

This means broadening investment from clean-power supply into industrial capacity, value chains and electrified end uses, while ensuring that credible transition plans can translate into financeable investment. **Part II examines whether Europe's banks, capital markets and financing instruments are mobilising capital at the scale, speed and breadth required, and how the Savings and Investments Union can strengthen that connection.**

Part II

Capital Markets: Financing Green Transformations

Green Bonds

A mature market adjusting to the EU Taxonomy

Sustainable bond market shows signs of consolidation in Europe

A DRIVING FORCE TO FUND THE TRANSITION

The green bond market reached a mature state, remained the dominant instrument within the sustainable bond market and continued to account for the largest share of sustainable debt issuance in Europe. Conventional green bonds fund projects with environmental goals, and are not necessarily Taxonomy-aligned, unless explicitly labelled as European Green Bond standard. In 2025, green bond issuance in Europe reached EUR 291bn, demonstrating the continued importance of the instrument despite a slight decrease compared to previous year issuances. Utilities, financial institutions and public sector issuers continued to account for the largest share of green bond issuance in Europe. This reflects their central role in financing the energy transition, the decarbonisation of the real economy and public infrastructure investment, as well as their established presence in sustainable debt markets.

Uptake of the EuGB label is increasing, and the SFDR revision could further benefit the standard. The remarkable growth of EuGBs issuance since 2025 indicates increased issuers interest and identified benefits on a format based the EU Taxonomy. Investors also supported the early stage of this market, with primary market demand showcasing large oversubscribed books. Moreover, the introduction of a sustainable category in SFDR could further boost a wider spread adoption of the EuGBs format, as it provides a reliable, 85-100% Taxonomy-aligned instrument that exempts investors from calculating alignment and grants immediate eligibility.

Sustainability-linked bonds lose ground; thematic bonds emerge

SUSTAINABILITY-LINKED BONDS STRUGGLE TO GAIN MOMENTUM

While issuance volumes peaked in 2021-2022, issuance has since declined significantly. European SLB issuance reached the lowest annual amount observed since 2019, with EUR 16bn in proceeds. Investor preferences have increasingly shifted towards use-of-proceeds instruments, which provide a direct link between financing and clearly identified green or social projects. In contrast, SLBs have faced growing scrutiny regarding the ambition, credibility and additionality of sustainability performance targets. Issuance in 2026 has been concentrated largely among Asia-Pacific (APAC) issuers and a relatively small group of long-standing frequent corporate issuers.

Uptake among sovereigns has historically been small. To date, only a handful of countries, including Chile, Uruguay, Thailand and Slovenia, have issued sustainability-linked bonds. In March 2025, Slovenia became the first European sovereign to issue a sustainability-linked bond aligned with the ICMA Sustainability-Linked Bond Principles, marking a notable transaction for the market, given the limited number of sovereign transactions to date.

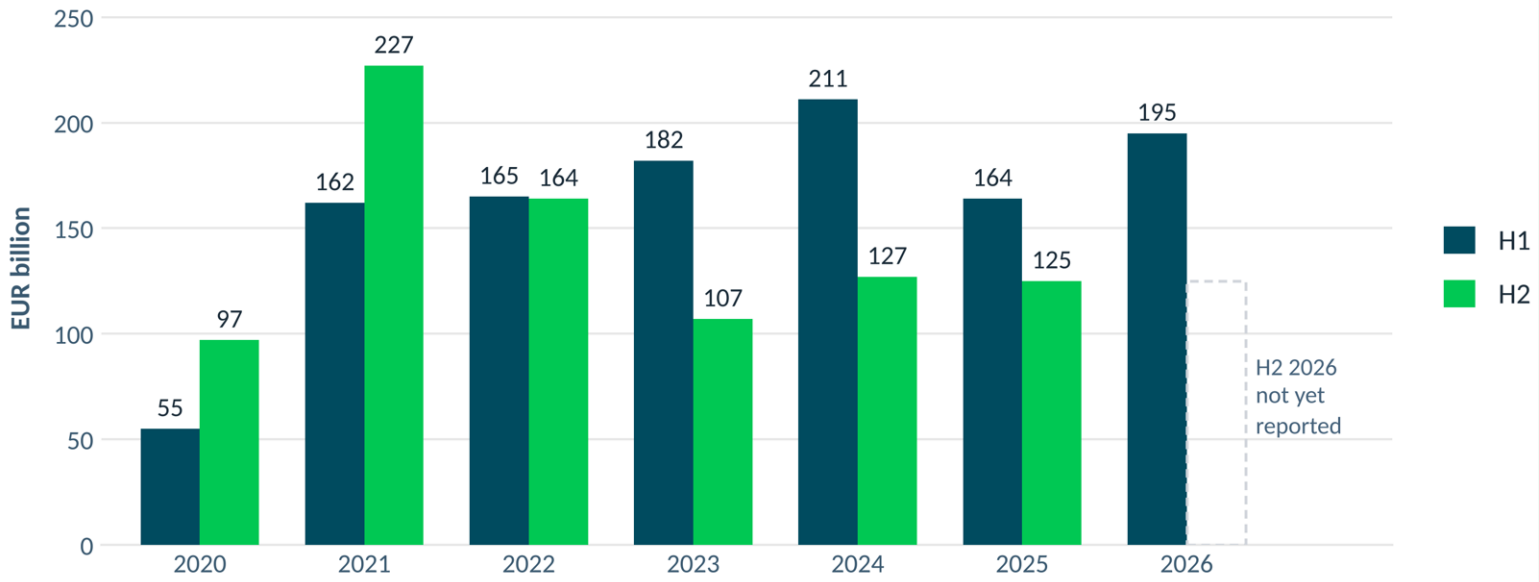
GROWING INTEREST IN BLUE, NATURE AND ADAPTATION BONDS, YET TO TRANSLATE INTO ISSUANCE

The sustainable bond market continues to diversify through thematic instruments whose proceeds are allocated to projects supporting specific environmental or sustainability objectives. A non-exhaustive list of examples includes marine and freshwater conservation (“blue” bonds), biodiversity and ecosystem restoration (“nature” bonds), and climate adaptation and resilience (“adaptation” bonds).

Although issuance remains limited relative to conventional green bonds, these instruments are gaining traction as issuers increasingly seek to direct capital towards clearly defined priorities, including biodiversity conservation, water resource management, ocean health and physical climate resilience.

Green Bond market reached a mature stage, 2026 set for a marked increase in issuance

Green bond market in Europe, issuance volume per half-year (EUR billion), H1 2020 to H1 2026



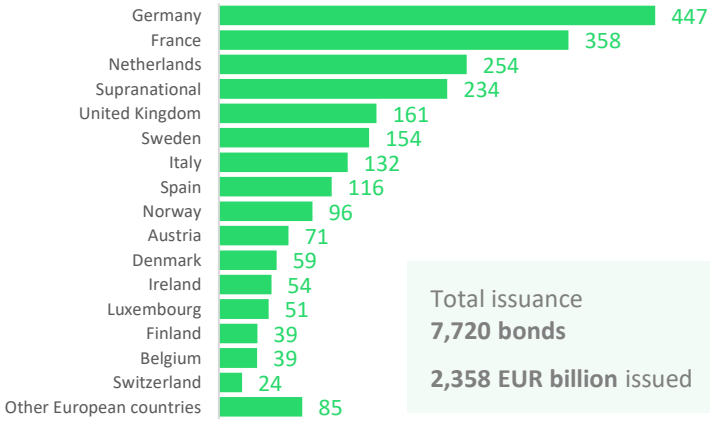
Source: LGX DataHub, Luxembourg Stock Exchange, as of June 2026, including matured bonds. 2026 period referring only to H1.

- **Yearly issuance of Green Bonds in Europe ranges from EUR 391bn (2021) to EUR 291bn (2025),** a market that has stabilized and matured.
- **2026 set for a recovery vs 2025, with H1 issuance reaching EUR 196bn,** up 18.8% vs H1 2025, the strongest H1 since 2024.

Green Bonds have established themselves as one of the most important instrument to finance the transition. Its special characteristics allow for large issuers, both from the private and public sector, to earmark their green projects for allocation of proceeds raised in the capital markets. With a cumulative issuance since 2020 that surpasses EUR 2.3 trillion, Green Bonds allow for investors to direct capital flows towards more sustainable developments.

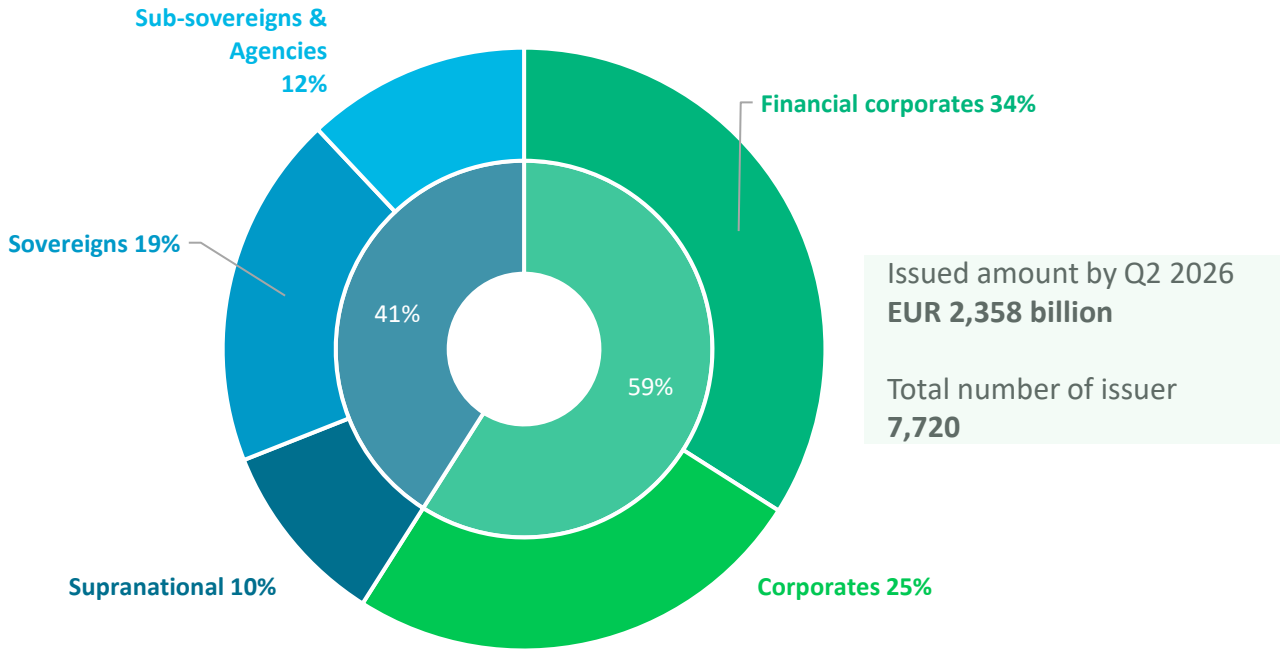
Germany, France and the Netherlands are the most prominent domicile of Green Bond issuers, with large Government Agencies and Utilities making use of the instrument to consistently finance across the years important energy generation capacity, energy transmission infrastructure and mobility.

Green bond market in Europe by issuer country (EUR billion)



European green bond issuance reached EUR 2.35 trillion between 2020 and June 2026

Green bond market in Europe, by issuer type (% of issued amount), Jan 2020 – Jun 2026



Source: LGX DataHub, Luxembourg Stock Exchange, as of June 2026, including matured bonds.

- **Financial corporates represent the largest share of green bond issuance in Europe,** with a 34% share.
- **Public sector is the second largest share representing 31%,** with 19% issued by Sovereigns and 12% by Sub-sovereigns and Governmental Agencies.

Green bonds have become an important financing instrument for banks, governments and corporates seeking to fund transition projects, with annual issuance of around EUR 300 billion, on average, between 2021 and 2025.

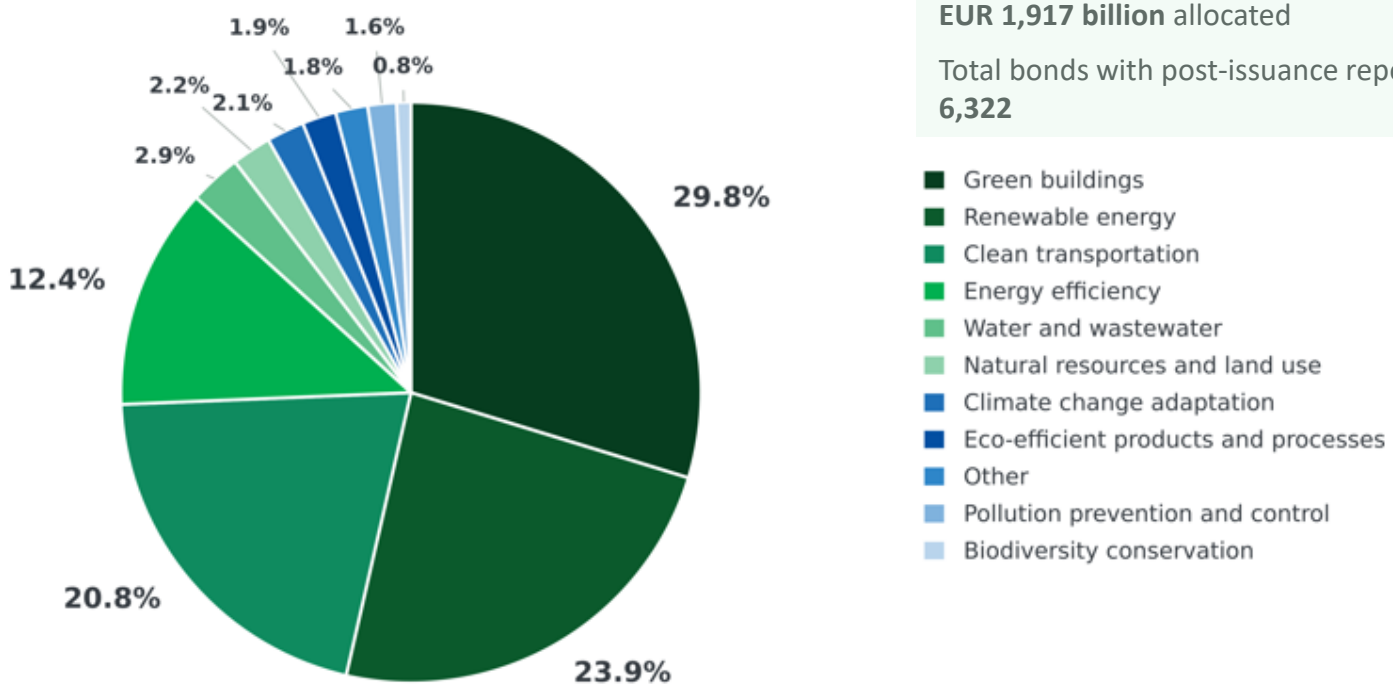
The banking sector's 34% share of green bond issuance highlights the instrument's importance in unlocking green lending, particularly for green buildings. Bank-issued green bonds can help households access mortgages for more energy-efficient homes and finance renovations of existing properties. They can also support financing for new, more sustainable buildings, encouraging the construction sector to adopt greener processes and materials. Green bonds therefore play a key role in expanding access to finance for energy efficiency improvements and household electrification.

For the public sector, green bonds are increasingly an important tool for financing sustainable projects, including clean public transport and energy infrastructure.

Nevertheless, given the limited *greenium* available in the market, some large issuers continue to favour traditional general-purpose instruments while maintaining their transition ambitions.

Green bonds have channelled over EUR 1.4 trillion into buildings, renewables and clean transport since 2020

Green bond market in Europe, allocation by ICMA project category type, 2020-2026
(% allocated amount)



EUR 1,917 billion allocated

Total bonds with post-issuance report **6,322**

Source: LGX DataHub, Luxembourg Stock Exchange, as of June 2026, including matured bonds.

- **Since 2020 EUR 1.92trn has been allocated to project categories in post-issuance report,** for a total of 6,322 bonds.
- **The largest portion of proceeds was allocated to green buildings,** with EUR 572 billion (29.8%) raised to fund such project category.
- **Renewable energy** (EUR 458 billion) **and energy efficiency accounted for over a third of the total, followed by clean transportation (20.8%)**.

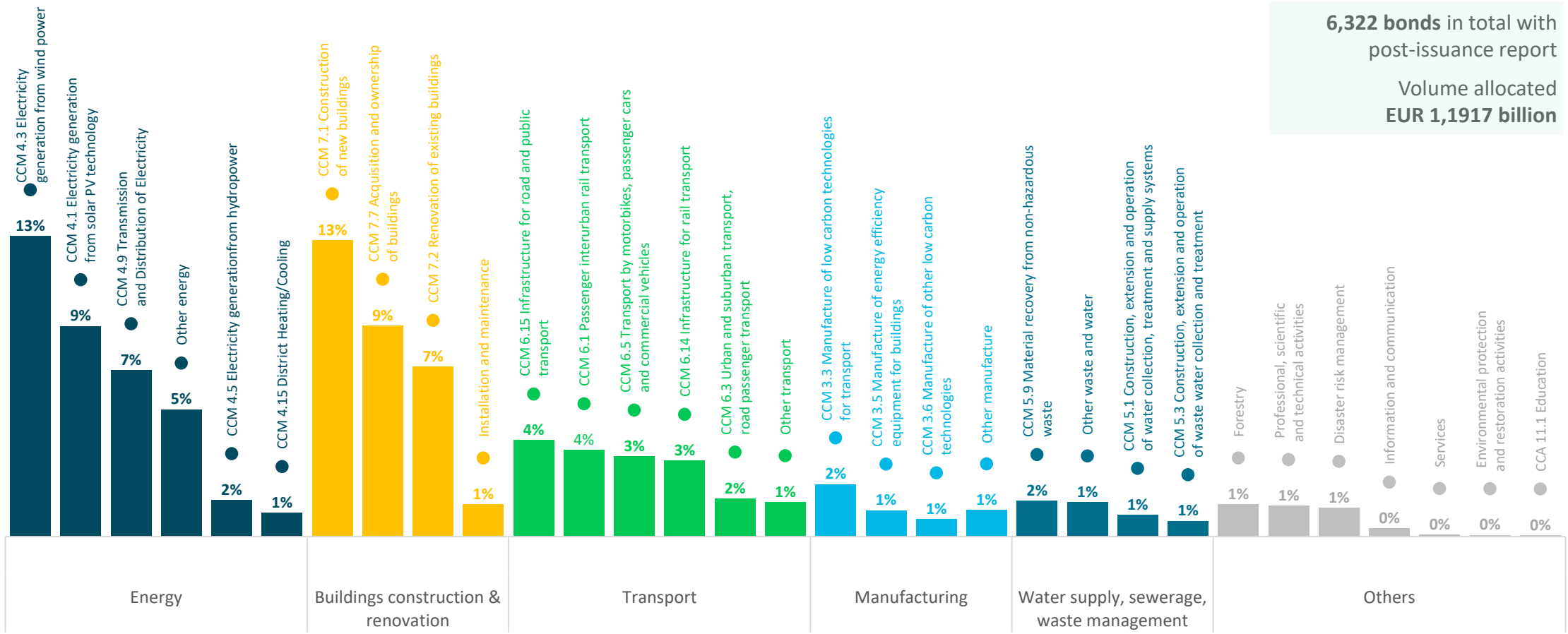
The specific features of green bonds favour the financing of Capex intensive projects, which explains the concentration into the Green Buildings, Renewable Energy, Clean Transportation and Energy Efficiency, that combine 86.9% of all project category allocation. The use-of-proceeds framework allows issuers to issue benchmark maturity bonds while earmarking some projects with longer maturity. Also, some more frequent issuers of green bonds such as public sector issuers, large corporates and banks, benefit from economies of scale on the overall green bond reporting framework and cost structure.

The significant amount of capital flowing into those four key categories plays an essential role to finance the transition, either from the energy efficiency and electrification point of view, facilitating access to green building finance by households but also to install capacity to produce, transmit and use clean energy, including expansion of a cleaner public transportation network.

The largest shares of green bond proceeds went to wind power generation and the construction of new buildings, at 13% each

Green bond market in Europe: Allocation by EU Taxonomy activity, 2020-2026

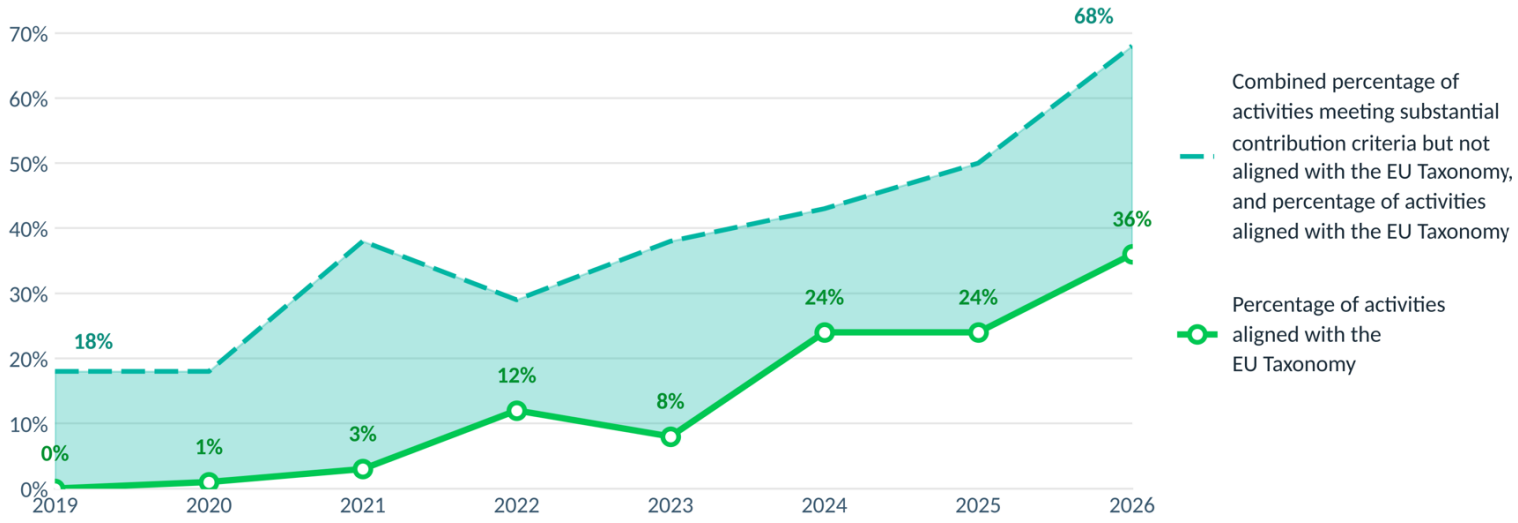
%Allocated amount based on post-issuance reports



Source: LGX DataHub, Luxembourg Stock Exchange, as of June 2026, including matured bonds.

Green bond market already allocated 36% to activities aligned with the EU Taxonomy in 2026

Green bond market in Europe by effective EU Taxonomy alignment by year of reporting
(%total green bond amount); post-issuance reports; 2019-2026



Source: Luxembourg Green Exchange (LGX DataHub), Luxembourg Stock Exchange, as of June 2026, including matured bonds.

EU Taxonomy alignment rely on issuers' post-issuance report, derived according to LGX DataHub. Effective level of EU Taxonomy alignment as captured at post-issuance stage, by year of reporting. As of June 2026, only a small fraction of bonds issued during 2026 are covered by post-issuance report.
Methodology: LGX_Brochure_LGX_DataHub_Methodology.pdf

- **Proceeds of Green Bonds in Europe 36% allocated to aligned activities with the EU Taxonomy in 2026,** according to post-issuance reporting year data.
- **Taxonomy alignment share evolved from 1% in 2020 to 36%,** with the partial alignment share at 32%.
- **Intended alignment at pre-issuance stage is stable with 23% of new green bond frameworks designed for full EU Taxonomy alignment**. An additional 60% of new Frameworks are designed for partial EU Taxonomy alignment.

The ongoing development of the EU Sustainable Finance Framework implied that different and older components of the market needed to adjust for updated regulation. The Green Bond market is now adjusting to the EU Taxonomy, with a clear transition towards higher transparency relying on the Technical Screening Criteria, and with a particular focus on how to evolve into the EuGBs format. Notably, the transition from a project-based into an activity-based approach (required by the EU Taxonomy) requires issuers to adjust their reporting structure, in order to report and comply with Substantial Contribution and the Do no Significant Harm (DNSH) criteria. The advance of the post-issuance alignment indicates issuers are progressively classifying the proceeds and may be preparing to move towards the EuGBs format. This is further supported by the 23% of intended alignment at pre-issuance stage.

EuGBs represented 14% of the green bonds market in Q2 2026, already a significant share within the broad green bond market.

The European Green Bond Standard (EuGBs) gains traction: Consistency, transparency, confidence, disclosure

THE IMPORTANCE OF TAXONOMY ALIGNMENT AND EARLY MARKET UPTAKE

With the European Green Bond Standard (EuGBs), the EU has established a voluntary "gold" standard that provides public and private sector issuers with an additional option to raise funds for green investments. While the EuGBs co-exists with existing market standards, it differentiates itself through its requirement that bonds' proceeds need to be allocated to economic activities aligned with the EU Taxonomy. EuGBs, therefore, assures investors that underlying investments are financing aligned activities, eliminating greenwashing risks present in less strict frameworks.

An uptake of EuGBs since the regulation came into effect in December 2024 and until the H2 2026 indicates the market steadily gained pace adopting the EuGBs. During 2025, initial uptake reached 26 EuGBs bonds (EUR 20.3bn). During 2026, a further EUR 25.4bn were issued, across over 35 transactions recorded until H1 2026. The total volume issued in the first six months of 2026 already exceeded the full-year 2025 level, accounting for 14% of the European green bond market in Q2 2026.

A NEW FORMAT BASED ON THE EU TAXONOMY

For investors increasingly using the EU Taxonomy as key component for their decision making, the EuGBs through its level of disclosure, provides a tool with high level of transparency, consistency and predictability in regulatory interpretations.

As the standard is currently not accompanied by dedicated incentives for issuances (and still broadly absence of a specific market premium), adoption remains highly dependent on whether issuers perceive sufficient strategic, commercial and investor-relations benefits to outweigh the additional costs and requirements associated with the label. The EuGBs would largely benefit from the delivery of the SFDR revision, as a sustainable category would support and increase demand for an 85-100% Taxonomy-aligned asset which does not require further alignment verification, thus granting immediate eligibility.

While the EuGBs provides a high degree of confidence to investors through its requirements framework, implementation remains complex to issuers. Facilitating a digital-based DNSH assessment for market participants would generally be welcomed. The issuance relies on the availability of assets and activities that can be demonstrated as EU Taxonomy-aligned, and the cost-benefit shared between investors and issuers must be carefully considered.

UTILITIES AND BANKS AS FIRST MOVERS in EUGBS MARKET: ENERGY, INFRASTRUCTURE AND GREEN MORTGAGES

Within the private sector adoption has been particularly strong among utilities. This reflects a combination of factors, as utilities have historically been within the most active issuers in the green bond market and typically exhibit the highest share of EU Taxonomy-aligned activities. In addition, demonstrating Taxonomy alignment is often more straightforward for utilities than other sectors.

Likewise, commercial bank issuance started to pick up towards the end of 2025 and now accounts for around 30% of the EuGB market. Data suggests EuGBs issuance is increasingly used to finance green loans, directed towards green buildings.

The level of disclosure from EuGBs matches the increased demand for high-quality sustainability-related data by some investors.

EuGBs issuance is so far limited mostly to clean energy activities (generation, transmission and distribution) and green buildings.

The adoption of the format by a broader group of sectors and issuers (including the public sector) is essential for the success of the format, while limiting the risks of greenwashing.

The EuGBs issuance is accelerating at fast pace

EUR

58.8 billion

Bonds issued under EuGBs since Jan 2025, and as of 23rd September 2026

14%

of Green Bonds issued in 2026 were EuGBs

EuGBs ISSUANCE FROM JAN 2025 TO JUN 2026

Amount issued	**EUR 45.7bn**
2026 issuance	**EUR 25.4bn**
Number of bonds issued	**61**

VOLUME BY ISSUER TYPE

Non-Financial Corporates	**EUR 20.1bn**
Financial Corporates	**EUR 13.7bn**
Supranational	**EUR 6.8bn**
Sub-Sovereigns and Agencies	**EUR 3.7bn**
Sovereigns	**EUR 1.4bn**

NUMBER OF ISSUERS BY TOP ACTIVITY

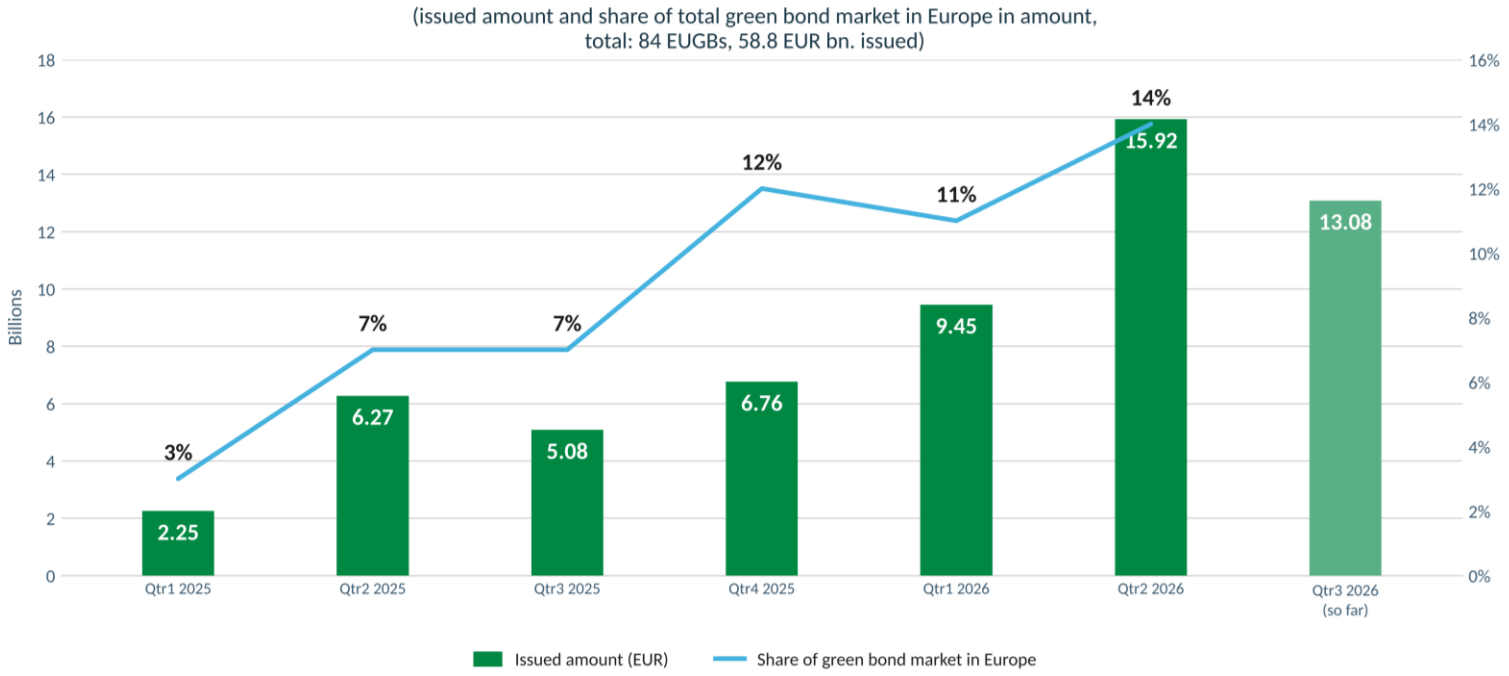
Transmission and Distribution of Electricity	**18**
Electricity Generation using solar photovoltaic	**18**
Electricity Generation from wind power	**15**
Acquisition and ownership of buildings	**11**
Storage of Electricity	**10**

Spain (EUR 7.53bn), Netherlands (7.34bn) and France (5.70bn) are the main domicile of EuGBs issuers

Source: Luxembourg Green Exchange (LGX DataHub), Luxembourg Stock Exchange, as of June 2026.

Total EuGBs issuance has reached EUR 58.8bn, a 14% share of European green bond issuance in 2026

EuGBs market: Issuance volume by quarter Q1 2025 – Q2 2026 (preliminary Q3 2026 figures)



Source: Luxembourg Green Exchange (LGX DataHub), Luxembourg Stock Exchange, Bloomberg. As of June 2026. Q3 2026 estimated preliminary figures.

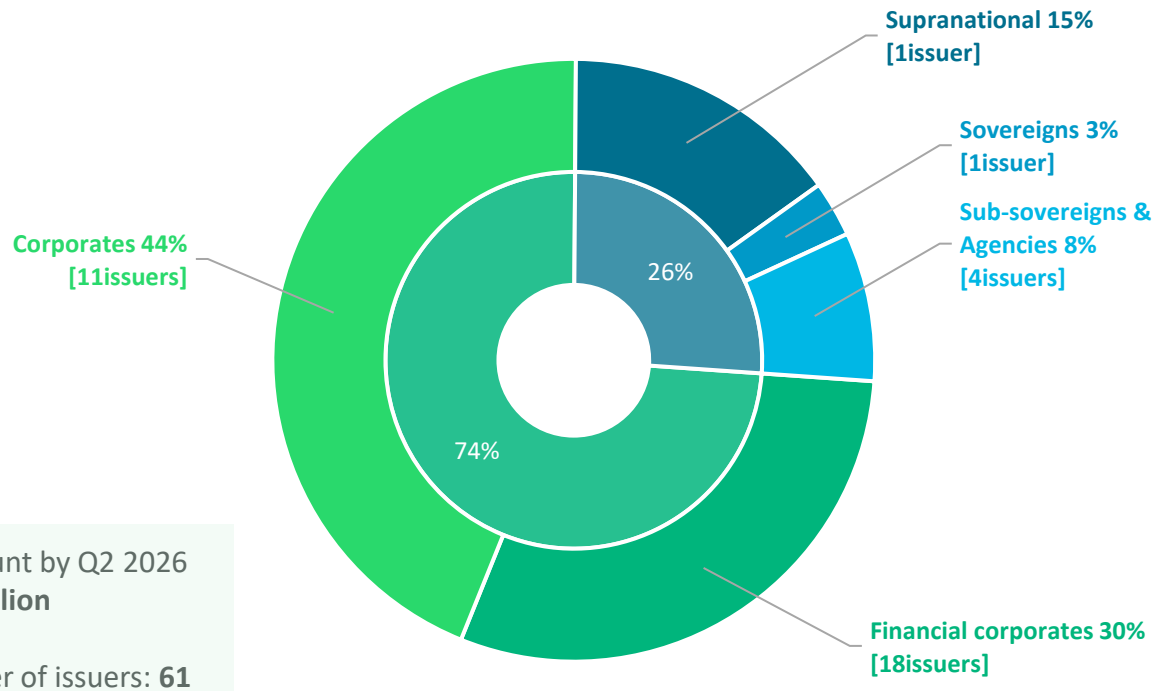
- **The EuGBs market is expanding at a fast pace,** reaching a total EUR 45.7 billion since Q1 2025 until 2026.
- **Q3 2026 until mid-September already indicated a further EUR 13.08bn issued**, bringing the total (preliminary) amount to EUR 58.8bn.
- **EuGB issuance reached EUR 15.92bn until Q2 2026,** accounting for 14% of European green bond issuance that year. EuGBs still represent only around 2% of all green bonds outstanding in Europe.

Following the applicability of the EU Green Bond Regulation to issuers by the end of 2024, issuers began using the European Green Bond Standard in early 2025. The standard brings greater consistency, comparability and transparency to the green bond market, as issuers must demonstrate that the activities financed are aligned with the EU Taxonomy. In addition, external reviewers must be registered with and supervised by the European Securities and Markets Authority (ESMA). Although the legislation requires at least 85% of proceeds to be allocated to Taxonomy-aligned activities, with the remaining 15% serving as a flexibility buffer, early data indicate that all issuers have in fact reported allocating 100% of proceeds to such activities.

Use of the standard has expanded rapidly. Issuance reached EUR 20.3 billion in its first year of operation, 2025, and a further EUR 25.37 billion in the first two quarters of 2026.

Three quarters of EuGBs issuance from non-financial and financial corporates

EuGBs market, issuance volume per issuer type (%, number of issuers), Q1 2025 – 2026



Issued amount by Q2 2026
EUR 45.7 billion

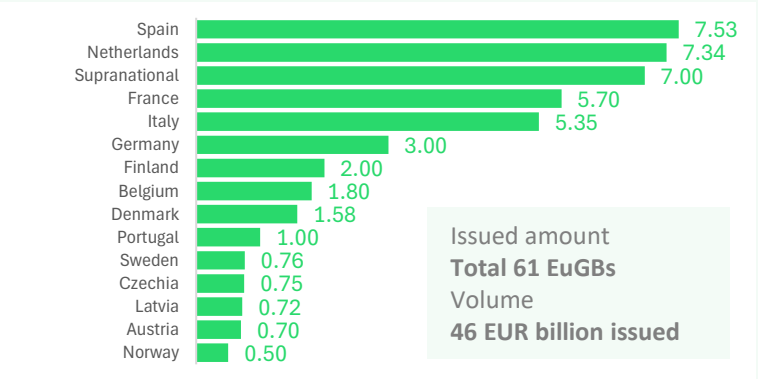
Total number of issuers: **61**

Source: LGX DataHub, Luxembourg Stock Exchange, as of June 2026.

- **Corporates (44%) and Banks (30%) dominated the issuance of EuGBs bonds so far,** with respectively EUR 20.1bn (11 issuers) and EUR 13.7bn (18 issuers) issued since Q1 2025.
- **EIB issued 15% of the whole EuGBs market,** representing EUR 6.8bn raised.
- **Denmark became the first sovereign EuGBs issuer**.
- **Local Regions (8%) with EUR 3.7bn by 4 different issuers,** took up the EuGBs format to finance sustainable public transportation and mobility infrastructure.

The key innovation the EuGBs format introduced is the strong link between capital raised in the bond market and the EU Taxonomy-aligned activities it finances. While banks primarily used so far the EuGBs format to finance their green mortgage balance sheet, the corporate sector is mostly dominated by utilities, that adopted the EuGBs format to finance the expansion of clean energy production, distribution and transmission. The public sector, in turn, focused on activities related to clean transportation and mobility. The structural investments in those infrastructures in Spain, Netherlands and France, as well as a strong mortgage demand, explain partially why those are the countries with most issuance of EuGBs since 2025.

Volume of EuGBs issuance by country (EUR billion)



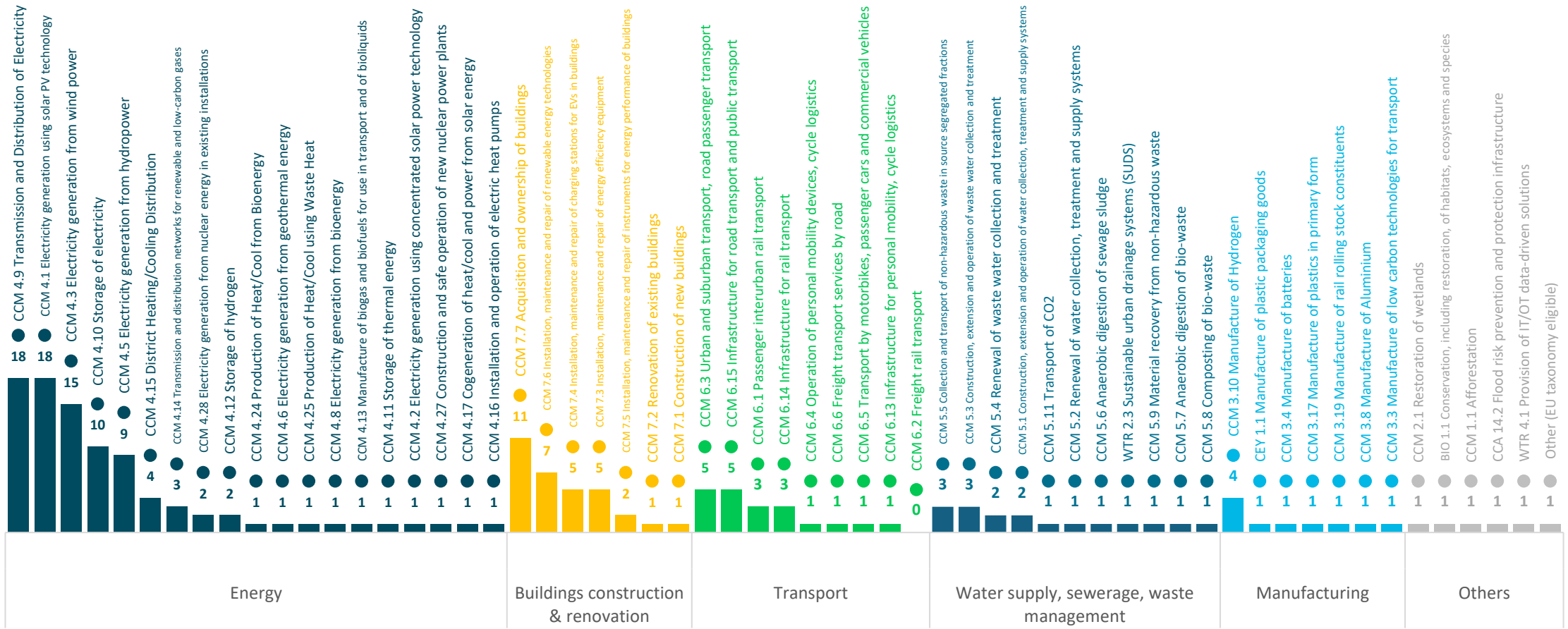
EuGBs focused on Electricity transmission, generation and distribution activities and on Acquisition and ownership of buildings activities

59 activities in total

36 EuGBs issuers

Count of EU Taxonomy activity intended to be financed, by EuGBs issuer, Q1 2025-Q2 2026

Number of activities



Source: LGX DataHub, Luxembourg Stock Exchange, as of June 2026, including matured bonds.

Banks hold the key to EuGB market growth

TRANSPARENCY AND EU TAXONOMY ALIGNMENT KEY FOR BANKS USING THE EuGBs FORMAT

The EuGBs close alignment with the EU Taxonomy, ensures standardised disclosure requirements and external review framework, providing a high degree of transparency and comparability across issuances. The strong supervisor oversight is also frequently highlighted by investors as a key advantage of the standard. These features enhance investor confidence in the environmental credentials of financed activities and help mitigate greenwashing risks. High levels of oversubscription in the primary market and strong order books indicate that investors have responded positively to the introduction of the EuGBs format.

The clear link between green mortgages and EuGBs is key. The banking sector has been among the active adopter groups. ABN Amro was the first bank to issue under the EuGBs, while other bank issuers to date include ASN Bank, Argenta Spaarbank, Banco BPM, Deutsche Kreditbank, Deutsche Bank, Länsförsäkringar Bank and Nordea. The financing of climate change mitigation is the dominant objective for EuGBs issuance, with green buildings and renewable energy as the main use-of-proceeds categories. The growing use of buildings' energy-efficiency classifications and the assessment of EU Taxonomy activities *Acquisition and Ownership of Buildings*, *Construction of New Buildings* and *Renovation of Existing Buildings* favours their inclusion as EU Taxonomy-aligned activities and eligible for EuGBs issuance, thereby supporting the green mortgage business.

LONG MATURITY OF (GREEN) MORTGAGES IS A GOOD FIT FOR EuGBs

In practice, issuances are primarily backed by green buildings, particularly residential mortgage portfolios, which provide a readily identifiable and auditable pool of eligible assets. This is also consistent with the prominence of residential real estate exposures within banks' Green Asset Ratios (GARs).

The portfolio approach on EuGBs seems to support this and be fit for purpose, as it allows banks to demonstrate that a pool of taxonomy-aligned assets exceeds the outstanding EuGBs, rather than tracing proceeds to projects. Moreover, this allows issuers to decouple the tenor of the bond from the life of the underlying assets, providing flexibility in respect to the loan book.

Particularly, residential mortgage loans suit that structure, as their longer maturity profile outlasts bond issuances (typically three to seven years), supporting ongoing compliance with the format without continuous re-origination and re-assessment of the pool, in contrast to shorter-maturity lending, where loans roll off and their replacement eventually requires more frequent alignment verification.

Green bonds are a crucial transition funding channel, EuGBs emerges

EUR
2.35 trillion
Issued so far by European issuers

EUR
196 billion
Issued in H1 2026 by European issuers

36%
Post-issuance EU Taxonomy alignment of Green Bonds funded activities in 2026

BY ISSUER TYPE

Financial Corporates	**34%**
Public Sector	**31%**
Non-Financial Corporates	**25%**
Supranational	**10%**

BY PROJECT CATEGORY

Green Buildings	**29.8%**
Renewable Energy	**23.9%**
Clean Transportation	**20.8%**
Energy Efficiency	**12.4%**
Water and wastewater	**2.9%**

BY EU TAXONOMY ACTIVITY

Electricity Generation from Wind Power	**13%**
Construction of New Buildings	**13%**
Electricity generation using solar photovoltaic technology	**9%**
Acquisition and Ownership of Buildings	**9%**
Transmission and Distribution of Electricity	**7%**
Renovation of Existing Buildings	**7%**

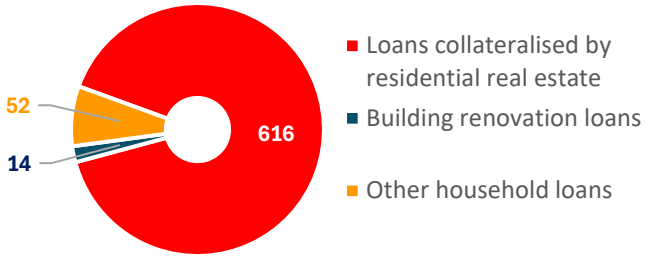
Source: LGX DataHub, Luxembourg Stock Exchange, as of June 2026, including matured bonds.

Green Lending

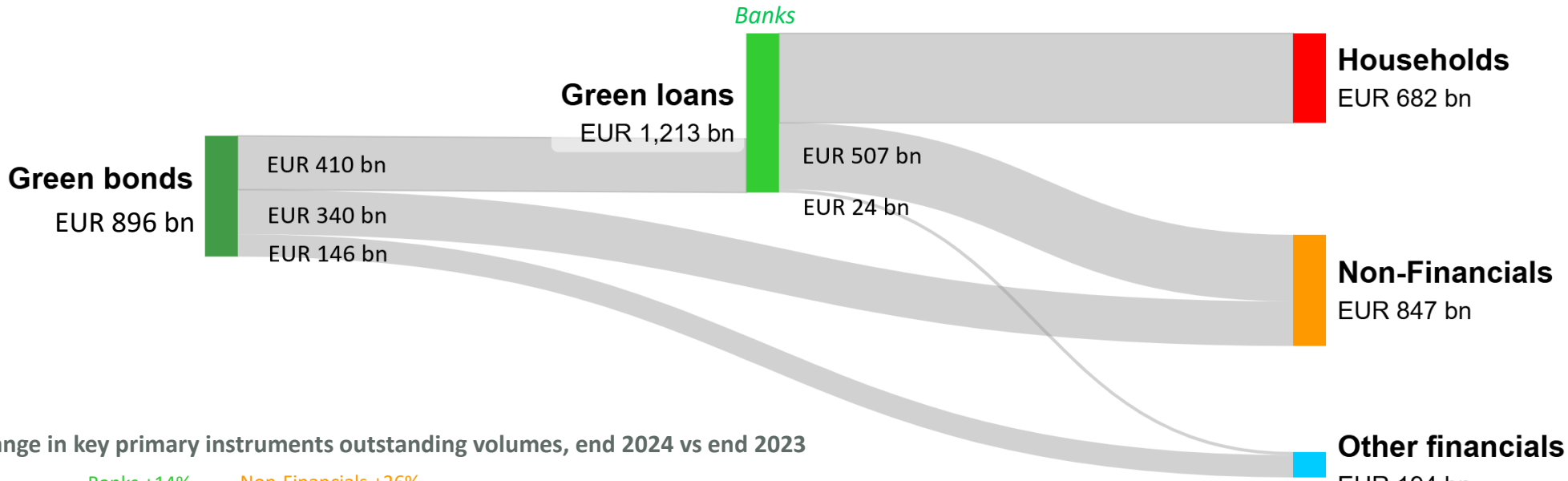
A strong expansion from 2023 to 2024: Green lending reaches EUR 1.2 trillion

Green debt financing is being used more widely

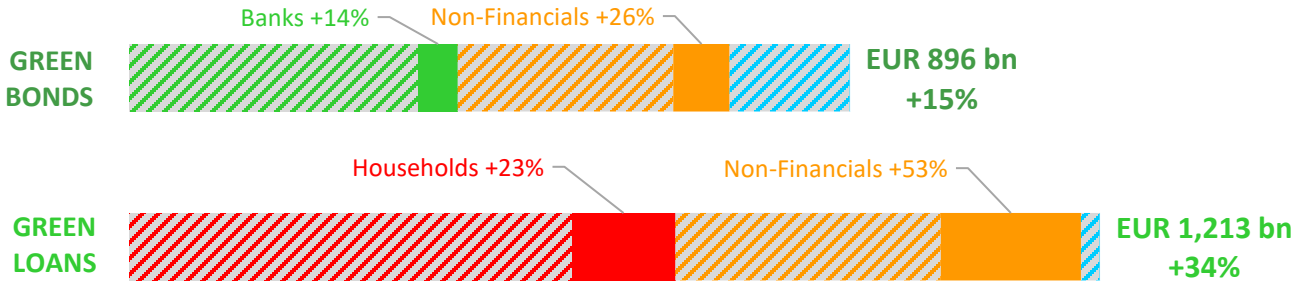
Household 2024 breakdown (EUR billion)



Overview of green debt financing landscape through key primary instruments; Total outstanding as of end 2024



Percentage change in key primary instruments outstanding volumes, end 2024 vs end 2023



Source: : EBA ITS on ESG risk disclosures

Green lending expands at fast pace in 2024, concentrated on mortgages and corporates

GREEN LENDING IS EXPANDING AT GOOD PACE, CONCENTRATED ON MORTGAGES AND ON NON-FINANCIAL CORPORATES

Green lending serves as an alternative to capital markets for large companies to finance their transition. The construction sector relies heavily on households' access to mortgage financing to deliver green buildings, resulting in these loans being classified as green by banks.

European SMEs and households remain predominantly reliant on bank lending to finance their activities, as bond market access is largely limited to large corporates. Consequently, the banking sector plays a crucial role in financing the greening of SMEs and qualifying them as green.

According to banks' disclosures, green loans increased by EUR 322 billion to EUR 1.21 trillion, representing 36% year-on-year growth. Green loans to households including mortgages and residential energy-efficiency loans remain the majority of green lending, but growth is shifting towards corporate lending. Non-financial corporates are driving the market expansion, with more than half of all new green lending, suggesting that the EU green lending market might be evolving from a predominantly mortgage-led market toward a broader corporate green-transition financing, possibly focused on corporates without access to the bond market.

TAXONOMY-ALIGNED GREEN LENDING REACHES EUR 553.5BN YET REMAINS GEOGRAPHICALLY AND INSTITUTIONALLY CONCENTRATED

60% of total green lending remains concentrated in the largest European banks and in the three largest economies, with Taxonomy-aligned lending representing 45% of green lending, corresponding to EUR 553.5bn. This concentration likely reflects the relative banking sector weight and overall size of the economies, but also the maturity of sustainable finance markets and the local availability of eligible green projects

Progress in Taxonomy implementation still remains a consideration, given the stable share of Taxonomy-aligned loans to the total size of green lending. Nevertheless, there is a broad expansion of green lending across most countries, from 2024 to Q4 2024.

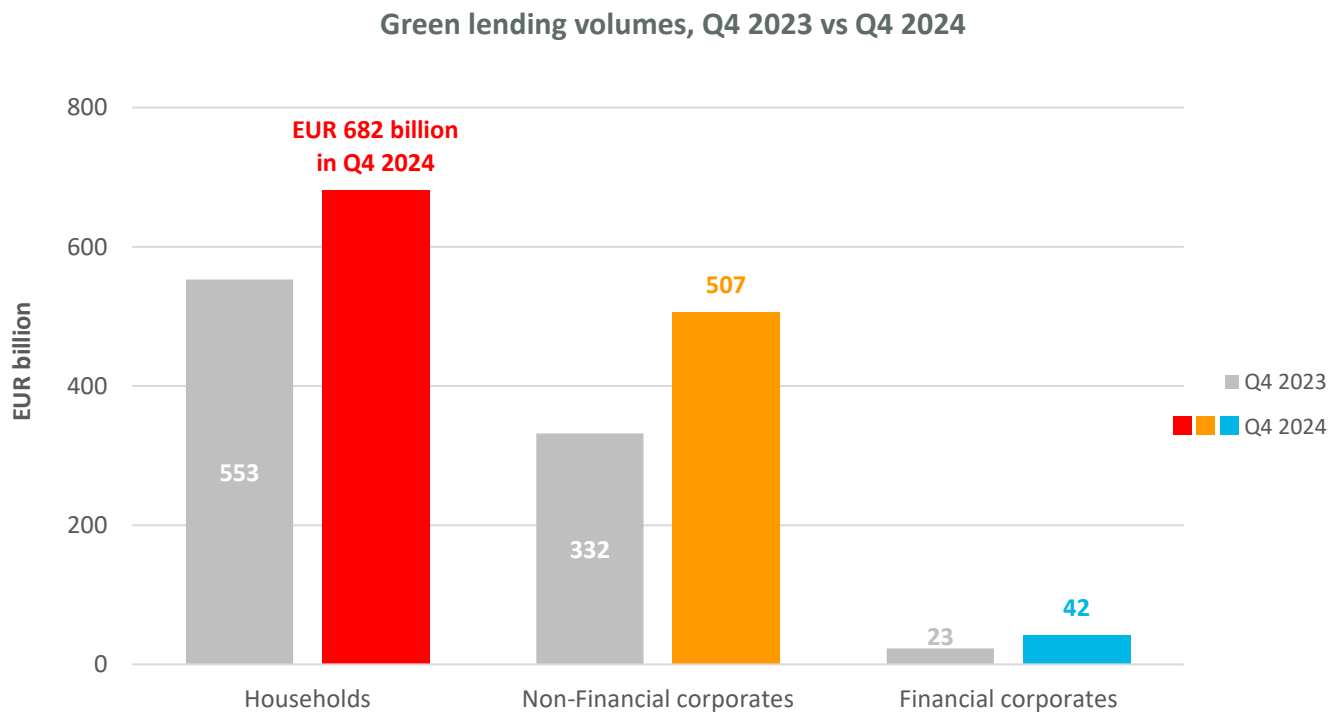
GREEN MORTGAGE LENDING DRIVES THE HOUSING STOCK TOWARDS HIGHER ENERGY EFFICIENCY

Greener housing stock is expanding at relatively low pace and unevenly across EU regions. 20% share of EU banks' mortgage portfolios are secured by highly energy-efficient buildings, and more than half of those mortgages fall within the very energy-efficient or efficient categories. The expansion is uneven, with some countries with predominantly "green" mortgages, but others still hold large shares of inefficient buildings or completely missing energy efficiency information and measurement.

For households this means accessing a mortgage on a green building, finance house renovation for higher energy efficiency or consumer credit to finance electric vehicles, heat pumps or solar panels.

For SMEs, banks play an essential role to finance the transition and green CapEx.

Green lending tops EUR 1.2 trillion across households and corporates



Source: EBA ITS on ESG risk disclosures. Data quality varies across banks and datapoints.

- **EU bank green lending totalled EUR 1.2 trillion in 2024,** up from EUR 908bn in 2023, a 36% increase vs 2023.
- **Households remain the largest component hitting EUR 681.8bn in 2024,** a 23% increase from 2023.
- **Green lending to non-financial corporates was 506.6bn in 2024,** up 53% from 2023, the largest increase.

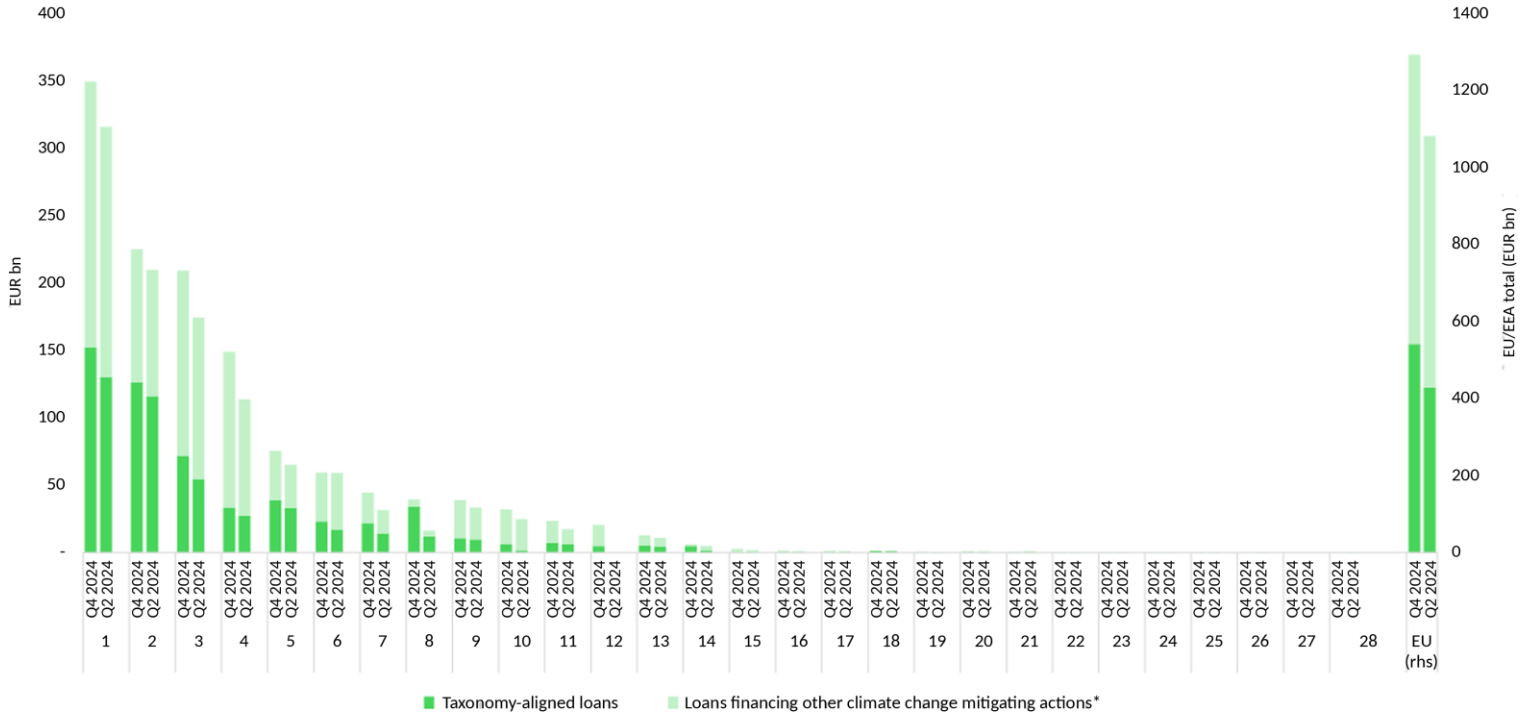
Green Lending to households remain a key element for the transition, as mortgage lending (90.3% share of green loans to households or EUR 615.5 billion) is pivotal for construction and real estate green CapEx. The green buildings are therefore fundamental to the existing transition trend, with high-efficient buildings (new and renovations) allowing for a more sustainable residential real estate stock.

This also means the electrification process also spawns into green buildings, not only from an energy consumption perspective, but also with an emerging portion of green loans to other household loans (7.6%) suggesting the domestic green and clean tech is being financed, such as solar panels, heat pumps, energy storage and EVs.

Taxonomy alignment green lending is 45% of total Green lending, corresponding to EUR 553.5bn

EU Banks Taxonomy alignment lending and lending to other climate change mitigating activities

EU countries (anonymised, 1-28 horizontal axis), Q2 2024-Q4 2024



Source: EBA ITS on ESG risk disclosures.

- **Green lending remains concentrated in the largest European banks,** with over 60% total green lending concentrated in the three largest economies.
- **Taxonomy alignment lending represents 45% of green lending,** corresponding to EUR 553.5bn.
- **Green lending expanded in most countries** from Q2 2024 to Q4 2024.

The increase in green lending is visible in both taxonomy-aligned loans and other climate mitigation loans, with most countries showing higher loan volumes in Q4 2024 versus 2024.
Growth in green lending remains unevenly distributed across Europe, largely driven by a small group of large economies. The gap between the largest and smallest countries is substantial, suggesting differences in:

- Relative banking sector weight
- Size of the economies, maturity of sustainable finance markets
- Availability of eligible green projects
- Progress in Taxonomy implementation

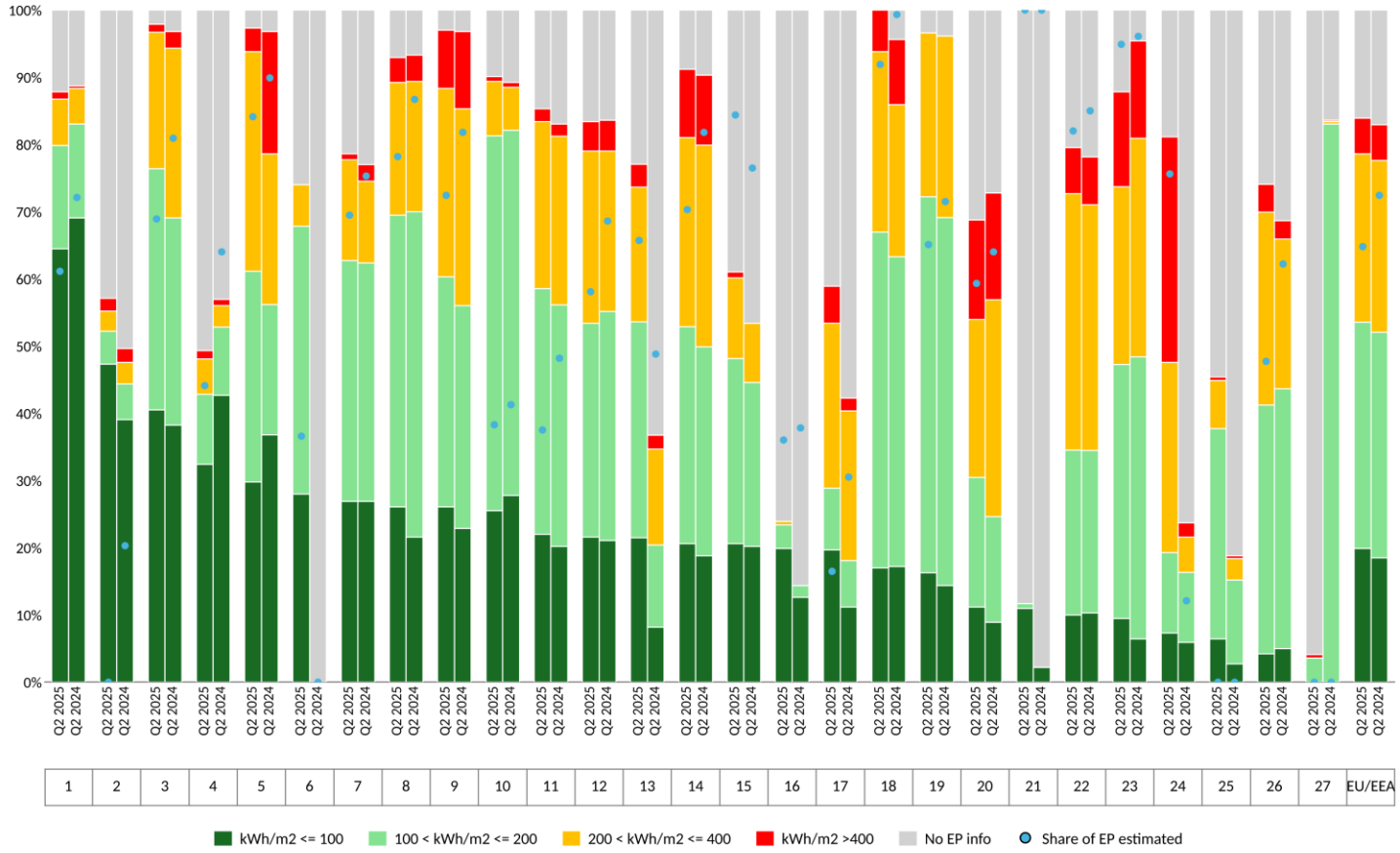
Banks continue to finance a significant volume of green activities that contribute to climate objectives but do not yet fully meet EU Taxonomy alignment criteria. Approximately 45% of EU green loans are taxonomy-aligned, while the majority are classified as other climate-mitigation activities.

Increased concentration of green financing through banking loans may suggest transition is reaching corporates without access to bond markets and households.

Mortgage sector is still in transition, but greener housing stock is expanding

Energy efficiency profile of EU banks mortgage portfolio

EU countries (anonymised 1-28, horizontal axis), Q2 2024 – Q2 2025.



Source: EBA ITS on ESG risk disclosures.

- **Around 20% of EU banks mortgage portfolio now its in the highly efficient category (Q2 2025),** slightly improving from Q2 2024;
- **Over 50% share of mortgages falls within the very energy-efficient (<100 kWh/m²) and efficient (100–200 kWh/m²) categories,** suggesting gradual improvements in residential energy efficiency.
- **Data gaps remain significant,** despite a reduced reliance on estimations.

The mortgage sector is still transitioning, as renewing stock of existing buildings towards higher energy efficiency is a knowingly slow process.

The greening of the housing stock is expanding, reflecting enhanced disclosure and more consistent measurement, supported by expansion of green lending for residential properties.

Energy efficiency profiles remain highly uneven across regions, as some countries are characterised by predominantly “green” mortgages (more energy-efficient buildings), while others still show large shares of inefficient buildings or lack of energy efficiency information altogether.

Missing energy-efficiency data remains a key challenge. In several countries, more than 50% of mortgages lack energy-efficiency information, and in some cases the share reaches 80-90%, likely reflecting incomplete energy efficiency databases and limited bank-level data collection practices.

EU Green lending totalled EUR 1.2trn in 2024, a 36% increase from 2023

EUR
1.21 trillion

2024 Total Green Lending
up from 908bn in 2023

EUR
+322.5 billion

36% increase,
according to banks' disclosures

DESTINATION OF LOANS (EUR bn)

Households	**681.8**
Non-Financial Corporates	**506.6**
Financial Corporates	**42.0**

2024 YEARLY INCREASE

Households	**+129.0 (+23%)**
Non-Financial Corporates	**+174.8 (+53%)**
Financial Corporates	**+18.7 (+80%)**
Total	**+322.5 (+36%)**

HOUSEHOLDS BREAKDOWN BY 2024 (EUR bn)

Loans Collateralised by Residential immovable property	**615.5**
Building Renovation Loans	**14.0**
Others	**52.3**

Green Lending represents 4.58% of total value of outstanding loans from EU credit institutions

Source: EBA ITS on ESG risk disclosures.

The SFDR fund universe

Scale, evolution and the picture by June 2025

SFDR Article 8 and 9 funds progress at different pace

ARTICLE 8 FUNDS CONTINUE TO ATTRACT FLOWS WHILE ARTICLE 9 FUNDS STALL

The number of funds disclosing under SFDR Article 8 and Article 9 reporting SFDR data rose 27% between Q3 2024 and 2026. Within that, the number of funds reporting a taxonomy-aligned share above zero rose by 78%, to 4,831 Article 8 funds and 497 Article 9 funds; the number of funds reporting sustainable investments above zero rose by 31%. Combined Article 8 and 9 assets reached EUR 9.4 trillion, 12% higher than a year earlier, with net inflows of EUR 327.3 billion during 2025 (and a further EUR 145.3bn by H1 2026). This marked a change in the 2024 landscape, when the two categories remained constant on aggregate. Nevertheless, Article 6 investment funds attracted more flows, as the interest rate environment, geopolitical context and AI-driven equity demand shifted attention toward Article 6 specific funds.

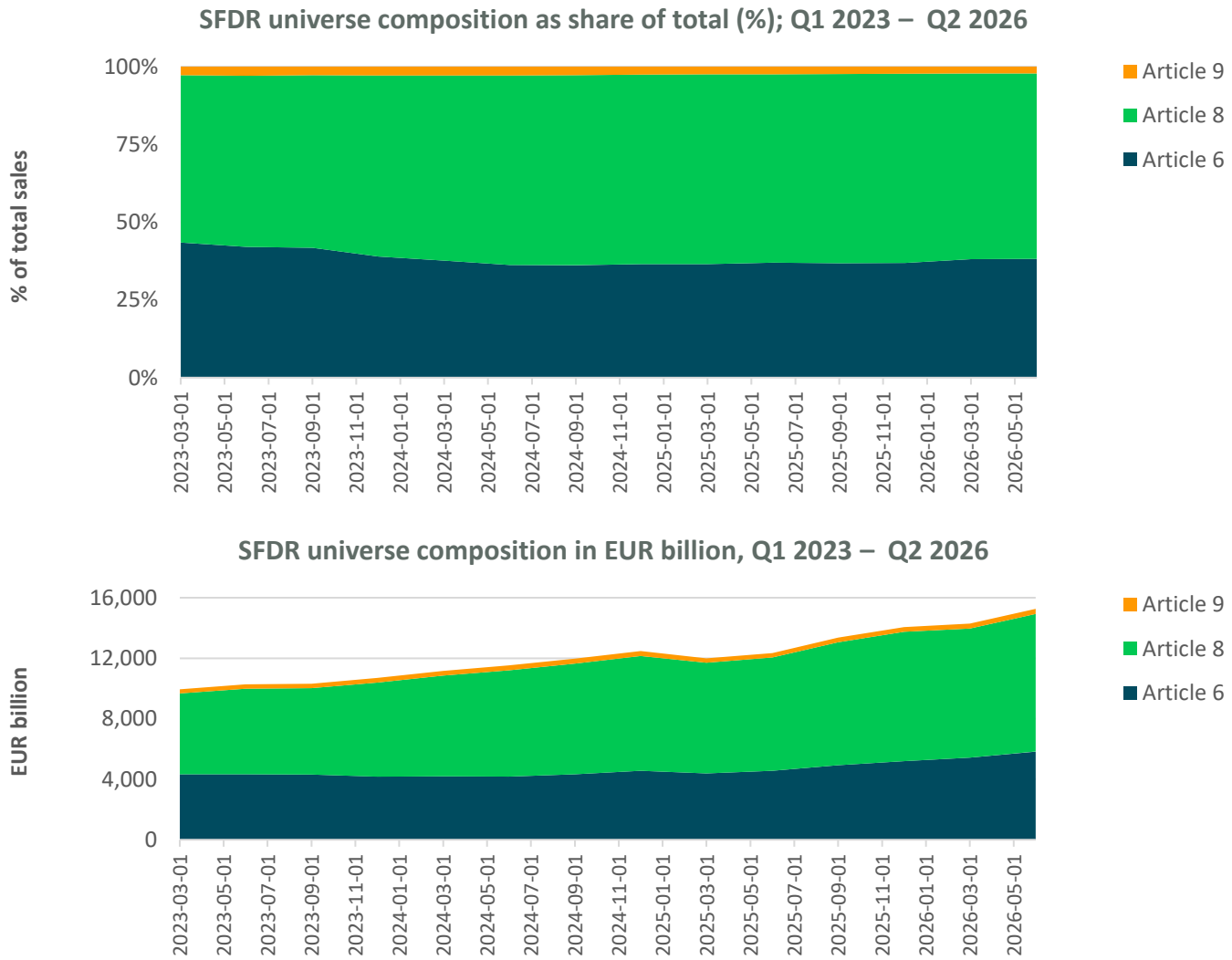
Reported portfolio composition changed little in substantive terms. Average sustainable investment shares rose by 1pp between 2024 and 2025 for both categories, to 35% for Article 8 funds and 92% for Article 9 funds. Average taxonomy-aligned shares rose by 0.6pp to 2.3% for Article 8 funds and by 1.3pp to 8.8% for Article 9 funds, with overall data coverage expanding by 68% for Article 8 and 31% for Article 9. The trend toward more transparency and adherence to EU Taxonomy disclosure continues, albeit at a slower pace. The finalisation of the SFDR review will be key to providing greater certainty to investors on future reporting requirements.

The combined assets under management (AuM) of SFDR Article 8 and Article 9 funds stood at EUR 9.4 trillion by the end of 2025. This represents a very large portion of the European fund sector (61.8% of all UCITS fund assets), with the overwhelming proportion resting with registered Article 8 funds. Funds registered as Article 9 under SFDR remain a niche market due to a combination of factors, including their thematic nature, smaller investment universes, and the complexity associated to the definition of sustainable investment under SFDR. The very fact that SFDR is currently under review might also explain their current lack of traction.

Green Bonds are a key component of SFDR registered Article 8 and Article 9 funds. Article 8 funds reporting holdings held EUR 157bn by June 2025, a 14% increase to previous year, while Article 9 funds held EUR 32bn, a 2.9% decrease. Furthermore, Article 9 funds allocated around 12% of their holdings to Green Bonds, with an increasingly larger share specifically allocated to EuGBs issuances (estimated above 1.6% by 2025-end).

This chapter does not cover insurance or insurance products disclosing under SFDR Articles 8 or 9.

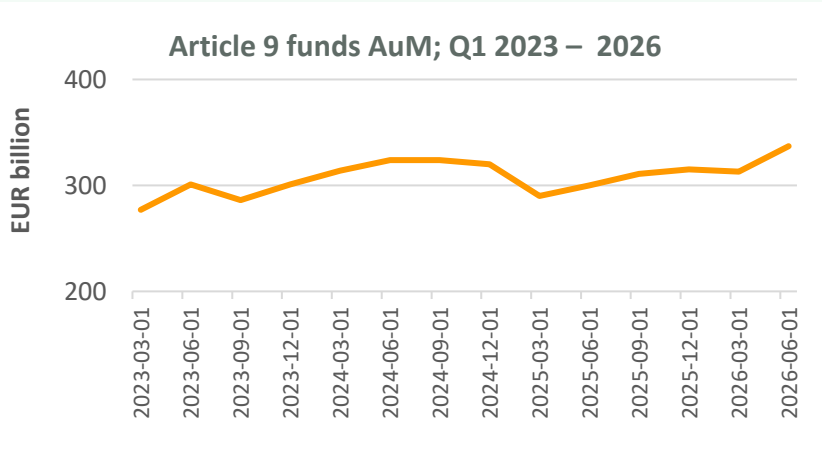
Article 8 and Article 9 funds represent 61.8% of the overall universe



- **Article 8 SFDR funds retained a 59.6% share of total by 2026,** a share up from 54% in 2023.
- **Article 9 SFDR funds' share declined to 2.2%,** from 2.8% by 2023.
- **Article 8 and Article 9 funds combined have a share of 61.8%,** versus 38.2% by Article 6 funds**.**
- **Article 8 funds AuM reached EUR 9.1 trillion by Q2 2026,** while Article 9 AuM at EUR 337 billion by Q2 2026.

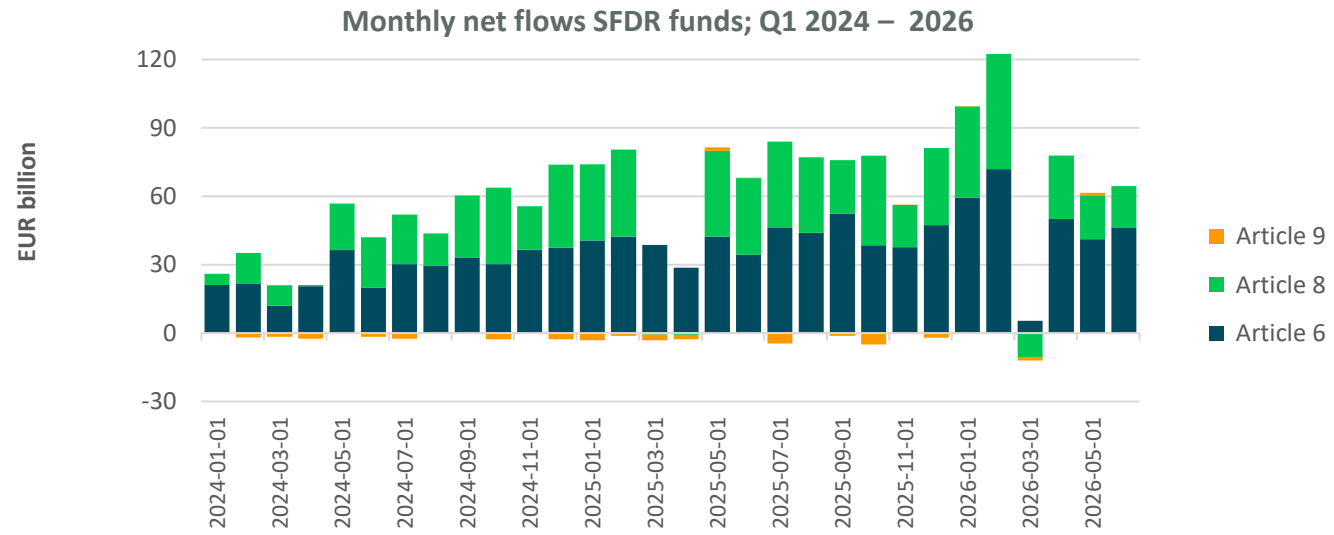
By Q2 2026 the assets under management (AuM) of UCITS funds stood at EUR 15.26 trillion, split overwhelmingly between Article 8 (EUR 9.1 trillion or 59.6%) and Article 6 (EUR 5.83 trillion or 38.2%), with Article 9 funds increasingly residual (EUR 0.34 trillion or 2.2%). While the fund industry continued to attract flows, the market focused on the two large categories.

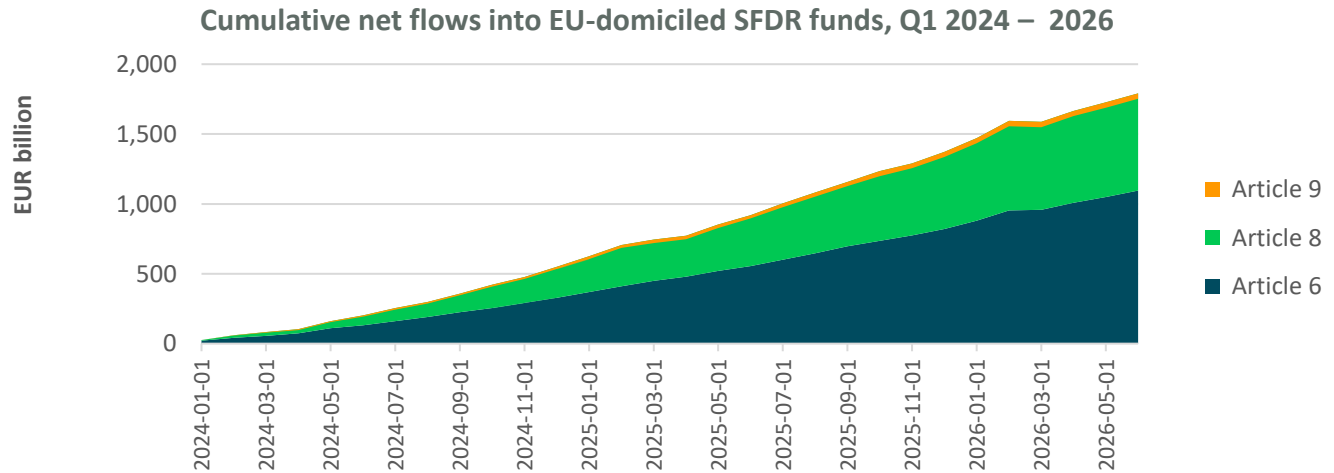
Investors' preference for Article 8 and Article 6 evidence how portfolio strategy and asset allocation remain key factors for fund selection.



Source: ESMA, Morningstar.

Article 8 funds attracted EUR 327.3bn in 2025





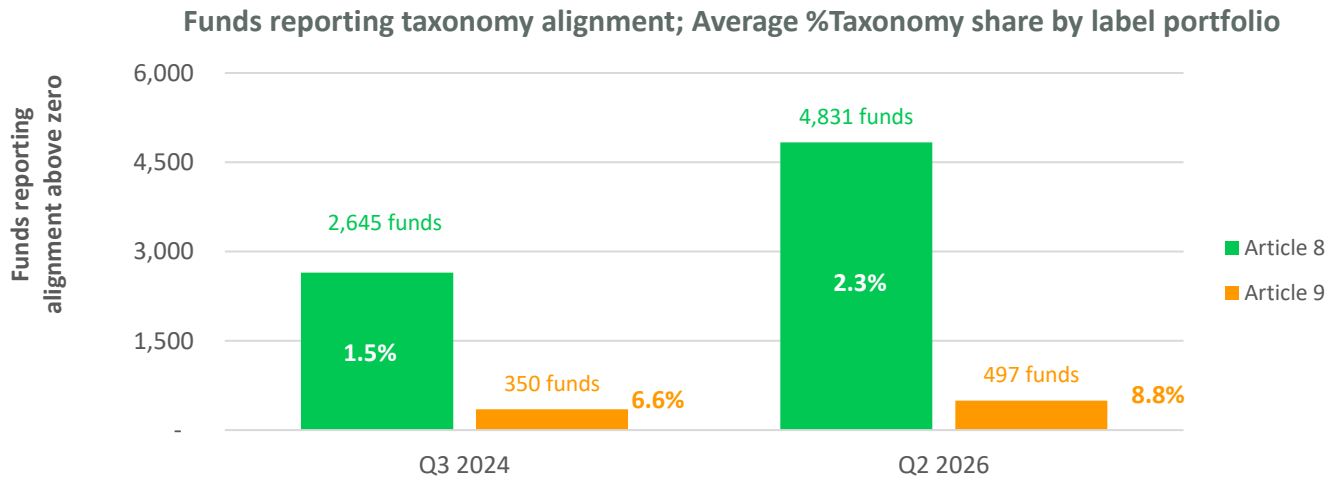
Source: ESMA, Morningstar.

- **Article 8 SFDR funds attracted EUR +327.3bn in 2025,** a 47% increase from 2024;
- **Article 9 SFDR funds outflows amounted to EUR 20.7bn in 2025,** compared with outflows worth EUR -16.3bn in 2024.
- **H1 2026 confirms the trend for Article 8 inflows EUR 145.3bn while Article 9 outflows have stabilized, with EUR -0.7bn in first half of the year.**

Fund flows under SFDR show on how investor capital is allocated across funds with different sustainability characteristics. The monthly and cumulative net flows into EU-domiciled from January 2024 to June 2026 indicate Article 6 funds have accounted for the largest share of net inflows, accumulating approximately EUR 1,100 billion. Article 8 funds attracted EUR 700bn. Temporarily, global market uncertainty during March 2026 halted inflows to European fund market but not affecting the overall observed positive trend in the year.

Article 9 funds present a distinctly different picture with cumulative outflows amounting to EUR 16bn in 2024 and EUR 21bn in 2025, which represents over 10% of total AuM. The first half of 2026 has shown some stabilisation, with a mix of small positive and negative months, yet the trend has not yet fully reversed. While they remain a niche market, thematic-based, for a specific investor base, the ongoing SFDR revision process might also help explain their current lack of traction given that a categorisation scheme for financial products is being introduced.

Article 9 funds average 92% of sustainable investments and 8.8% Taxonomy alignment



Source: Morningstar, European ESG templates, ESMA.

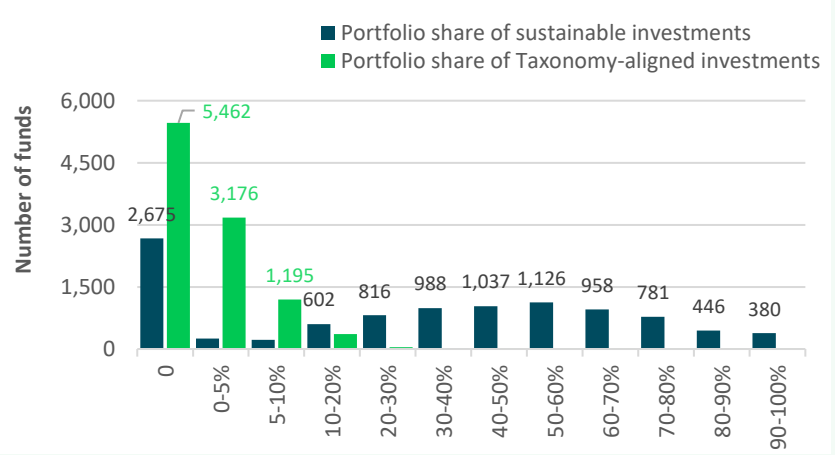
Average taxonomy alignment on Article 8 and Article 9 funds rose respectively to 2.3% and 8.8% by Q2 2026 (from 1.5% and 6.6% in Q3 2024), with +83% in Article 8 funds that report any taxonomy-aligned investments (to 4831 funds) and +42% Article 9 funds (to 497).

Among Article 8 funds, 46.9% now report non-zero Taxonomy alignment. Roughly 5,500 report zero taxonomy alignment and a around 3,200 report between zero and 5%. Sustainable investment under Article 2(17) shows a very different pattern, with around 2700 funds reporting zero, but the rest spread across every band from 10% to 90%, most commonly between 40% and 50%.

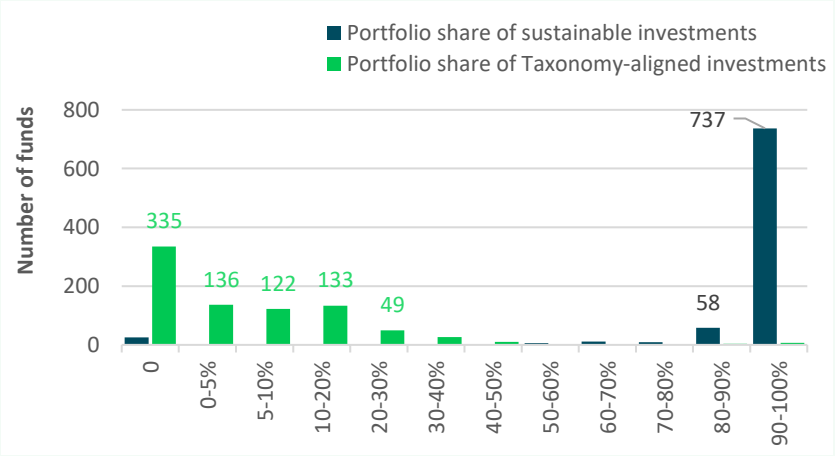
Article 9 funds show a stronger but similar picture. 59.7% report non-zero Taxonomy alignment, while 335 report zero, with most of the remaining funds reporting under 30%. On sustainable investment, by contrast, roughly 730 of the funds report above 90%, with the average at 92%. Article 9 funds classify almost their entire portfolios as sustainable investments, yet only a reduced share of those holdings is reported as Taxonomy-aligned.

- **+78% of SFDR Article 8 and Article 9 funds reporting non-zero EU Taxonomy alignment,** standing now at 5328 funds amongst both categories.
- **+31% of Article 8 and Article 9 funds reporting Sustainable Investment (SI),** compared with 2023.

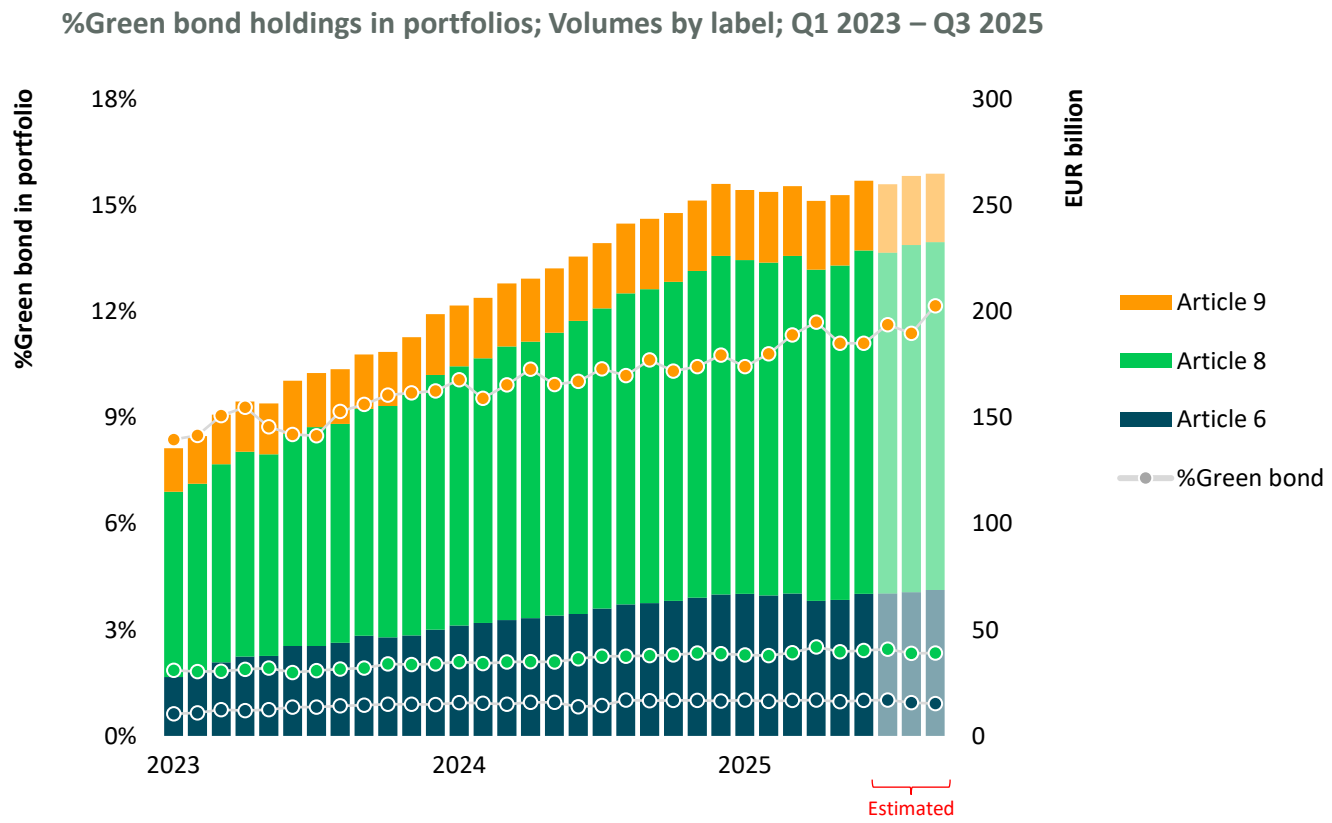
Article 8 funds reporting taxonomy alignment; %investments



Article 9 funds reporting taxonomy alignment; %investments



Fund holdings of green bonds rose to more than EUR 265bn in Q3 2025



- **In total, SFDR funds held EUR 265 billion in green bonds in Q3 2025 projections,** an 8.9% increase from Q3 2024.
- **Article 8 fund holdings expanded their holdings by 10.9%,** with EUR 164bn by Q3 2025.
- **Article 6 funds held EUR 69bn while Article 9 held EUR 32bn,** up 9.8% and down 2.9% (due to fund outflows) respectively.
- **12% of Article 9 fund portfolios were allocated to Green Bonds**, +2pp from a year earlier.
- In 2024, **holdings of Green Bonds had increased by 31%.**

Article 8 and 9 funds increasingly rely on green bonds, even though green bond issuance scaled back 14% from 2024 to 2025. This trend has continuously been observed since 2023, with total green bond holdings by funds increasing 31% in 2024 and 29% in 2023. Importantly, this trend can also be observed at EuGB level that are making up a growing (albeit small) part of overall holdings. Nearly 75% of all green bond funds held EuGBs in their portfolio in 2025.

The increase in green bond holdings was largely driven by growth in Article 8 fund assets. However, these funds only marginally increased their allocation to green debt, while the share of Article 9 fund portfolios invested in green bonds rose from 8% in Q1 2023 to 12% in Q3 2025.

Source: ESMA, LSEG, Morningstar.

Key insights on the SFDR fund universe

THE UNIVERSE HAS BIFURCATED INTO ARTICLE 6 AND ARTICLE 8 FUNDS

Article 8 funds attracted EUR 327bn in 2025 net inflows (47% higher than 2024) while Article 9 funds recorded EUR 21bn in outflows, deepening from 2024's EUR 16bn and marking the second consecutive year of net redemptions. The divergence is visible not only in flows but in the size of the two universes, as roughly 4,800 Article 8 funds reported Taxonomy-aligned holdings against only around 500 Article 9 funds.

The significant change in overall market conditions in 2025 and early 2026 accelerated the trend of flows into Article 8 and Article 6 funds, which carry broad market-based asset allocation, as interest rates, equity sector performance determined fund reallocation. Article 9 funds remained too specific and costly to fit broad-market demand on traditional asset class and risk metrics, thus suffering from consistent outflows during 2025.

Given the challenges faced by Article 9 funds, with significant outflows in 2024 and 2025, the swift completion of the SFDR review will be key to provide certainty to fund managers and to clarify the framework and future reporting requirements, including on the EU Taxonomy.

ALIGNMENT RUNS THROUGH BONDS

Across the SFDR funds holdings, green bond holdings reached EUR 265bn by Q3 2025, up 9% year-on-year, with Article 8 holding EUR 164bn, Article 9 EUR 33bn, and even Article 6 funds holding EUR 69bn.
Green bonds accounted for 12% of Article 9 portfolio holdings and drive most of the 8.8% average reported Taxonomy alignment in that category. The alignment is therefore likely driven by fixed-income holdings rather than equities, with green bonds as the preferred instrument. Despite facing outflows, Article 9 funds increased the share of green bonds in their portfolios, resulting in higher reported EU Taxonomy alignment.

THE EuGBs EXPOSURE IS GROWING FAST

EuGBs holdings are estimated at almost 2% both on Article 8 and Article 9 green-bond portfolios by end-2025, and nearly 75% of green-bond funds now hold some EuGBs. Given that the EuGBs was only in application January 2025 onwards, that penetration rate is early evidence that the standard is being integrated into fund allocations at the pace the market can absorb. In practice, the EuGBs is becoming a channel through which SFDR funds obtain Taxonomy alignment.

Article 8 funds attract strong inflows, Article 9 fall out of favour

EUR

+327bn

2025 net inflows in Article 8

+78%

Number of Article 8 and Article 9 funds reporting Taxonomy alignment

ARTICLE 8 AND ARTICLE 9 FUNDS

Disclosures increase since 2023	**+27%**
Funds reporting above zero Sustainable Investments	**+31%**
Funds reporting above zero Taxonomy alignment	**+78%**
Increase in Article 8 and Article 9 funds size	**+12%**

BY ELECTRIFICATION CHAIN STAGE (EUR BN)

Materials & CRM (Stage 1)	**63**
Components & cells (Stage 2)	**38**
Equipment & systems (Stage 3)	**29**
Deployment & networks (Stage 4)	**34**
Electrified end-use (Stage 5)	**161**

FLOWS IN 2025 (EUR BN)

Article 6	**EUR +493.0bn**
Article 8	**EUR +327.3bn**
Article 9	**EUR -20.7bn**

Source: ESMA, Morningstar.

Part II – Round Up

FROM SUSTAINABLE FINANCE SCALE TO EFFECTIVE CAPITAL MOBILISATION

Part II shows that Europe's sustainable-finance architecture has reached significant scale. Since 2020, cumulative European green bond issuance has exceeded EUR 2.35 trillion; green loans on EU bank balance sheets reached EUR 1.21 trillion in 2024; and combined SFDR Article 8 and 9 assets increased to EUR 9.6 trillion in 2025. These channels perform complementary functions. Green bonds finance identifiable assets and projects through capital markets, while the European Green Bond Standard is strengthening the link between issuance and verifiable Taxonomy alignment. Bank lending extends sustainable finance to companies, SMEs and households, including through mortgages and building renovation. SFDR funds mobilise large pools of investor capital, despite the divergence between Article 8 inflows and Article 9 outflows. The revised SFDR should benefit the EuGBs expansion, given their automatic eligibility to all categories with a 85-100% alignment. Further policy incentives, such as facilitating the understanding of sustainability preferences and incorporating ESG or sustainability-related products into default investment options, would be welcomed, provided the risk-return profile is duly considerated.

The overall direction is towards a larger and more structured market, but capital does not yet circulate evenly across instruments, countries or economic segments. Green lending remains geographically concentrated, access to market-based finance varies considerably, and financing is more readily available for established green assets than for some of the industrial, technological and demand-side investments required for the next phase of the transition.

The next phase is to turn financial depth into broader investment reach.

This requires a clearer and more usable Sustainable Finance Framework, completion of the SFDR review and deeper capital-market integration under the Savings and Investments Union. The central challenge is to connect Europe's savings with credible transition investment across companies of different sizes, financing instruments and Member States, so that growing financial volumes support productive investment throughout the real economy.

The successful deployment of the SIU and further EU capital market integration are critical to further finance the transition, broadening investments into hard to abate sectors and correcting geographical imbalances. Moreover, competitive green financing must be able to reach mid-caps and SMEs to reach deeper in the real economy.

Concluding Remarks

This report further develops the framework for monitoring capital flows to sustainable investments in Europe. By combining EU Taxonomy disclosures with financial-market data, it provides a more detailed understanding of where investment is occurring, how it is financed, and how Europe's transition is unfolding in practice. The analysis confirms the value of Taxonomy-based reporting as a policy tool for tracking sustainable investment and informing policy decisions.

The findings show that the transition is increasingly driven by clean energy and electrification, while progress remains uneven across sectors. They highlight areas where investment momentum is building, as well as those where stronger investment signals, enabling conditions and policy support remain necessary.

At the same time, the analysis represents only part of the overall picture. The current evidence base is primarily derived from large reporting companies and therefore provides limited visibility over mid-caps, SMEs and other non-reporting entities. Future monitoring should progressively broaden coverage and, where appropriate, make use of estimates and complementary data sources to provide a more complete assessment of capital flows across the European economy. Monitoring should also evolve towards a fuller mapping of transition-related investment, including investments that risk creating carbon lock-in effects, thereby providing a more comprehensive view of both progress and remaining challenges.

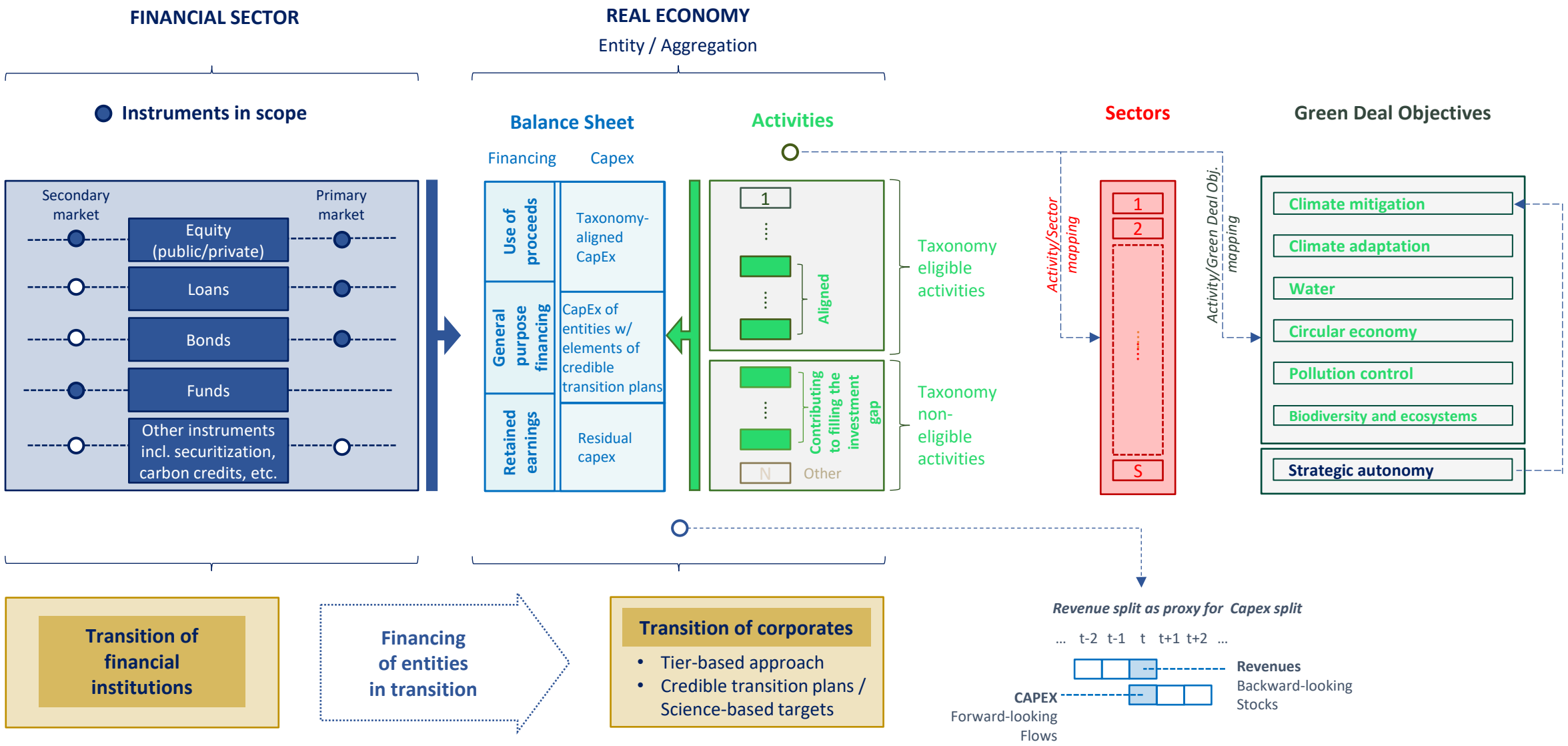
The report also underscores a broader challenge. Sustainable investment in Europe continues to rely heavily on debt-based financing, with green bonds and green loans providing a significant share of identifiable sustainable finance. Strengthening Europe's capacity to mobilise equity and other forms of risk capital remains essential to financing innovation, scaling clean technologies and supporting the transformation of the real economy.

In this context, the Savings and Investments Union represents an important opportunity to deepen financial integration and improve the mobilisation and allocation of private capital across the Union. Combined with an effective sustainable finance framework that supports transparency and informed investment decisions, it can help channel European savings towards investments that strengthen decarbonisation, competitiveness, resilience and long-term prosperity.

Ultimately, Europe's challenge is not only to mobilise more capital, but to direct it towards the investments required for a competitive, secure and sustainable economy. Continued monitoring of sustainable investment flows, supported by broader company coverage and progressively improved methodologies, will strengthen the evidence base for policymaking and help ensure that Europe's financial system remains aligned with Europe's long-term strategic objectives.

Annex

CONCEPTUAL FRAMEWORK



Source: EU PSF (2025a).

ELECTRIFICATION VALUE CHAIN: FROM MATERIAL TO END-USE ADOPTION IN BUILDINGS AND MOBILITY

Each stage converts the output of the one before it. Buildings and mobility are the two end-use streams through which decarbonised power reaches the economy.

1 MATERIALS & FEEDSTOCKS	2 COMPONENTS & CELLS	3 EQUIPMENT & SYSTEMS	4 DEPLOYMENT & NETWORKS	5 ELECTRIFIED END-USE
TECHNOLOGIES AND MATERIALS				
Copper · aluminium · silicon Lithium · nickel · graphite Rare-earth magnets · electrical steel Cement	Battery cells · PV cells and modules Power semiconductors · inverters Sensors	Transformers · switchgear · cables Turbines · electrolysers Heat pumps · chargers · motors	Generation assets Transmission and distribution Grid-scale storage	MOBILITY EVs · charging · rail · freight BUILDINGS heat pumps · electric heat Renovation · new build
SECTORS OBSERVED IN FUND HOLDINGS				
Chemicals · specialty chemicals Steel · aluminium · glass	Electronics Automotive components	Electrical equipment Machinery · metal fabrication	Power production Transmission · distribution	Car manufacturing · mobility · freight Construction · real estate

Entity assignment follows the principal reported activity. Cross-cutting enabling services such as grid software, flexibility, metering and recycling may sit in service codes and therefore remain outside the sector mapping.

TRANSITION FRAMEWORK: ASSESSING THE MATURITY OF CORPORATE TRANSITION PLANNING

Building on the scope and methodology established in the EU PSF 2025 report *Monitoring capital flows to sustainable investments*, the current year-on-year analysis covers a comparable sample of 1,009 EEA companies assessed across both reporting years.

The transition plans of Tier 1 companies contain sufficient elements of credibility that serve as proxies for credible transition plans in terms of ambition, transparency, completeness, and feasibility. This proxy-based classification supports monitoring at scale; it does not constitute a full assessment of the credibility or robustness of individual company plans, which would entail monitoring real progress over time.

Elements of a credible transition plan* for Tier 1 include:

Ambition and environmental /social integrity: A 1.5°C-aligned pathway with no or limited overshoot, covering all relevant greenhouse-gas scopes and supported by science-based, time-bound targets.

Transparency and completeness: The transition plan is publicly available and provides information on the core elements needed to understand the company's pathway and planned delivery.

Feasibility and consistency: Mitigation actions are consistent with the emissions-reduction ambition and supported by coherent financial planning, governance and implementation oversight.

Transition tier	Targets	Emissions disclosures	Disclosure of a Paris-Aligned transition plan	Disclosure and minimum requirement for core elements	Financial planning as part of the transition plan	No fossil-fuel CapEx
Tier 1 **Elements of credible transition plans**	At least a mid-term Scope 1, 2 and 3 science-based, Paris Aligned targets	Scope 1, 2 and 3 emissions disclosure	Yes	At least 10 out of 14 indicators mapped to the core elements of a credible transition plan.*	Yes	Zero
Tier 2 **Science-based targets**	Mid-term Scope 1, 2 and 3 science-based, Paris Aligned targets	Scope 1, 2 and 3 emissions disclosure				Zero
Tier 3 **Scope 1 and 2 targets**	At least a mid-term Scope 1 and 2 target	At least Scope 1 and 2 disclosure				Zero
Tier 4 **Other**	Rest of companies in scope of the assessment					

The tiering approach is a methodology designed for monitoring purposes and is expected to evolve as standardised reporting and data quality improve. It was first published and applied in EU PSF (2025a) and EU PSF (2025c). It has been replicated in this report to best of possibilities by applying it to CDP's Net-Zero Alignment Dataset (NZAD), albeit considering methodology changes of the NZAD dataset. For a full breakdown of Tiers see EU PSF (2025b). For NZAD methodology changes, see Net-Zero Alignment Dataset - CDP.

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The views expressed in this report should not be interpreted as stemming from these institutions.

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