THE GREEN ECONOMY:
HOW THE EU'S GREEN TRANSITION FUELS BUSINESS GROWTH

SEPTEMBER 2025

Haga Initiative
Business Climate Leaders

Content

The Haga Initiative is a network of large companies in Sweden. Together we promote leadership for a profitable business sector without negative climate impacts.
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Author: Haga Initiative
Project Manager: Jakop Dalunde, Gabrielle Tillberg and Nina Ekelund
Layout: Jimmy Jelleryd, Daz Kleine
Photo: Unsplash

Executive summary

As the world races to confront the twin crises of climate change and resource scarcity, the European Union stands at a defining moment. This report highlights why the EU's green transition is not just an environmental obligation but a strategic opportunity to redefine its global economic leadership, strengthen resilience and competitiveness, and secure long-term prosperity.

Achieving climate neutrality by 2050 isn't just about avoiding catastrophe, it's about unlocking a wave of industrial innovation that can reshape Europe's economic future. With the right policies in place, this transition can boost competitiveness, create high-quality jobs, and reduce Europe's dependence on imported fossil fuels and raw materials. The private sector will play a critical role, transforming climate challenges into business opportunities.

Achieving climate neutrality by 2050 isn't just about avoiding catastrophe, it's about unlocking a wave of industrial innovation that can reshape Europe's economic future.

Central to this transformation is the need for clear and ambitious climate targets. Setting a binding 2040 target of at least 90 percent emissions reduction provides the long-term certainty that businesses need to confidently invest in clean technologies, helping Europe remain competitive in a low-carbon world. This clarity encourages investment in cutting-edge solutions and signals to global markets that Europe is serious about its climate leadership.

Equally critical is the **shift from a linear to a circular economy, which can cut costs, reduce resource dependency, and create jobs.** Innovative companies across Europe are already demonstrating how waste can be transformed into valuable inputs, turning circularity into a competitive advantage. This approach not only reduces emissions but also strengthens Europe's industrial resilience by reducing reliance on imported raw materials.

Fair competition is another pillar of this transformation. **Mechanisms like the EU Emissions Trading System (ETS) and the Carbon Border Adjustment Mechanism (CBAM) are essential for creating a level playing field,** ensuring that Europe's green industries are not undercut by carbon-intensive imports. These tools provide strong economic incentives for companies to invest in low-carbon technologies, accelerating the transition across sectors.

Finally, EU is **scaling up its bioeconomy, covering sustainable agriculture, forestry, and bio-based industries,** to replace fossil inputs, cut emissions, and create rural jobs, with over 17 million already employed in the sector. To support this transition, EU policies must boost investment, align farming and forestry incentives, and create strong markets for bio-based products through procurement, labelling, and sustainability standards.

This report outlines a clear path for Europe to lead the global green economy. By aligning ambitious policies with business innovation, the EU can drive a just, competitive, and sustainable transformation – ensuring a prosperous future for all.

Policy proposals

A clear and ambitious 2040 climate target can create investment certainty in the green transition

1. Strengthen the EU's 2040 target to at least 90 percent emission reduction from 1990 levels
2. Prioritize domestic emissions reductions for a stronger 2040 climate target
3. Implement sector-specific decarbonization roadmaps
4. Strengthen the support for renewables

Unlocking circular growth, the role of the circular economy act

5. Adopt a robust Circular Economy Act
6. Stimulate markets for recycled materials
7. Support circular innovation and infrastructure
8. Strengthening regulations to support circular economy and chemical safety

Fair competition in a green economy; ETS 1, ETS 2 and CBAM

9. Maintain a strong and stable ETS price
10. Fully implement CBAM and simplify its administration
11. accelerate phase-out of free ETS allowances
12. Support green industrial investments with ETS/ CBAM revenues
13. Maintain the integrity of the EU ETS

Scaling the bioeconomy for climate and competitiveness

14. Boost investment in biorefineries and bio-based innovation
15. Incentivise sustainable farming and forestry for biomass production
16. Create strong markets for bio-based and wood-based products
17. Strengthen the role of bio-CCU in the EU bioeconomy

Simplification at what cost? Business uncertainty in the wake of the Omnibus package

18. Preserve broad sustainability coverage in the CSRD
19. Strengthen CSDDD through gradual implementation and risk focus
20. Simplify and harmonize Taxonomy requirements
21. Focus on effective implementation without delays

The role of business in the green transition

Climate change is the challenge of our generation. In response, the European Union has committed to climate neutrality by 2050 and stepped up its 2030 ambitions, effectively making sustainability the cornerstone of Europe's future. This challenge comes with a historic opportunity to reinvent our economy for the better.

Achieving climate neutrality is not just about averting environmental catastrophe – it is about spurring an industrial renaissance that will create jobs, foster innovation, and secure Europe's long-term prosperity. From renewable energy expansion to the electrification of transport and the greening of heavy industries, the transformation required to meet our climate goals can also drive a new era of sustainable economic growth.

Across industries, many European businesses have moved from viewing climate action as a cost or compliance issue to embracing it as a core strategy for innovation and value creation.

The private sector is increasingly leading the charge in this transformation. Across industries, many European businesses have moved from viewing climate action as a cost or compliance issue to embracing it as a core strategy for innovation and value creation. This represents a profound shift, essentially a paradigm shift, in the role of business. Companies are no longer just passive recipients of environmental regulation; they are active drivers of change and often partners to policymakers. In recent years we have seen global manufacturers, energy companies, and even food and agriculture firms set ambitious climate targets well beyond regulatory requirements. Many have invested in clean energy, circular business models, and low-carbon technologies, proving that what is good for the climate can also be good for business.

If business leaders and policymakers work in tandem, we can ensure that climate and competitiveness create symbiosis – so that Europe can lead the charge for the new green economy.

Businesses are also increasingly voicing support for more ambitious climate policies. This trend reflects a new reality: many businesses understand that sustainability is synonymous with competitiveness. They see that strong climate action can drive efficiency gains, meet rising consumer and investor expectations, and open up new markets. In short, Europe's business community is poised to be a powerful engine of decarbonisation, if the policy environment encourages and rewards their efforts.To fully unlock the potential of business in the green transition, clear, ambitious, and long-term policy signals from the EU are essential. The experience of the last decade shows that when policy frameworks are predictable and aligned with climate goals, businesses respond with investment and innovation at scale.

If business leaders and policymakers work in tandem, we can ensure that climate and competitiveness create symbiosis – so that Europe can lead the charge for the new green economy.

1 A clear and ambitious 2040 climate target can create investment certainty in the green transition

The EU is preparing a new climate target for 2040, a critical milestone indicating the necessary emission reductions on the path toward net zero by 2050. Achieving a high level of ambition for 2040 is crucial to maintaining the feasibility of the 1.5°C goal. Current scientific assessments indicate that the EU must reduce emissions by 90–95 percent by 2040, relative to 1990 levels, to fulfill its fair share of global climate responsibilities.

Setting such an ambitious target provides essential long-term certainty, enabling businesses and investors to confidently commit substantial resources towards sustainable infrastructure, research, and development of new technologies.

Most of the technologies needed are already mature and market-proven with many becoming cost competitive compared to fossil alternatives[1].

Setting such an ambitious target provides essential long-term certainty, enabling businesses and investors to confidently commit substantial resources towards sustainable infrastructure, research, and development of new technologies. Over 115 European companies and investors have specifically urged the EU to establish a legally binding target of at least 90 percent emission reductions by 2040, underlining industry-wide recognition of climate leadership as a foundation for future competitiveness.

An ambitious and binding climate target does more than address environmental imperatives, it unlocks innovation, enhances competitiveness, and creates employment opportunities. Clear, predictable, and stringent climate policies give European businesses a competitive advantage by driving technological innovation and attracting green investment, positioning Europe as a global leader in clean technologies and sustainable practices.

[1] https://www.bruegel.org/policy-brief/europes-2040-climate-target-four-critical-risks-and-how-manage-them

Businesses that are leading the way

The Volvo Group exemplifies how clear climate targets translate into tangible business strategies. Committing to net-zero emissions across its entire value chain by 2040, a decade ahead of global standards, Volvo demonstrates leadership through early and decisive action. Their strategy involves a phased approach to electrifying trucks and construction equipment, aiming for 50 percent of global truck sales to be electric by 2030 and fully fossil-free by 2040.

Volvo's progress depends heavily on coherent policy signals, customer demand for sustainable products, expansion of charging infrastructure, and access to renewable energy sources. The clarity provided by ambitious EU climate policies significantly reduces investment risk, enabling Volvo and similar companies to accelerate their transition and gain technological and competitive advantages in global markets.

The policies needed towards a greener future

1. Strengthen the EU's 2040 target to at least 90 percent emission reduction from 1990 levels

This aligns with the recommendations of scientific experts to keep the 1.5°C goal within reach. Such a high level of ambition provides long-term stability for businesses and drives investment in zero-emission technologies. Over 115 European companies and investors have urged the EU to adopt "at least 90 percent" net GHG reduction by 2040[2].

2. Prioritize domestic emissions reductions for a stronger 2040 climate target

To ensure the EUs 2040 climate target drives meaningful progress, it is essential to prioritize domestic emissions reductions over reliance on international offsets. Overreliance on carbon credits under Article 6 of the Paris Agreement risks stalling technologic advancements and delaying Europe's green transition. To avoid this, the EU should establish separate sub-targets for direct emission reductions and carbon removals, while maintaining a primary focus on actual emissions cuts.

3. Implement sector-specific decarbonization roadmaps

Detailed sectoral roadmaps aligned with the 2040 target would guide industry-specific transformations. These roadmaps should include interim milestones and technology benchmarks, providing businesses with clear guidelines on investment priorities and timelines. Fossil Free Sweden initiative is an inspiring example.

4. Strengthen the support for renewables

To meet its climate objectives while enhancing energy security, the EU must strengthen its support for renewable fuels, including hydrogen-based electro fuels and sustainable biofuels. Not only considering the fact that nine out of ten road transportations are powered by liquid fuels in Sweden today but also for heavy transportation including flight, liquid fuels will be significant in the long haul as well. These fuels are especially critical for decarbonising sectors that are difficult to electrify, including aviation, maritime transport, and certain industrial processes. In light of the geopolitical urgency to reduce dependency on Russian energy, the EU should scale up production through targeted economic incentives (such as increased reduction mandates), technology neutrality, robust sustainability criteria, and accelerated permitting processes. Promoting domestic value chains for renewable fuels not only strengthens strategic autonomy but also creates industrial opportunities across rural and urban regions. This includes scaling up the sustainable bioeconomy, such as biogas, biofuels and biomass-based carbon cycles, which plays a critical role in replacing fossil inputs and supporting rural value creation.

[2] https://www.corporateleadersgroup.com/news/business-and-investors-call-eu-set-greenhouse-gas-emissions-reduction-target-least-90-2040#:~:text=In%20an%20open%20letter%20coordinated,strategy%20to%20achieve%20these%20objectives

2 Unlocking circular growth, the role of the circular economy act

The policies needed towards a greener future

A transition to a circular economy is essential not only for meeting Europe's climate goals but also for reducing its dependency on imported raw materials. Global crises have exposed the fragility of international supply chains, and Europe's heavy reliance on virgin imported resources poses a growing risk to both economic stability and critical societal functions[3]. Recognizing this, the EU is taking important steps through the proposed Circular Economy Act as a part of the Clean Industrial Deal which aims to double the circular use of materials from today's 11.8 percent to around 23 percent by 2030. This means that a much larger share of raw materials must come from recycled and reused sources, rather than from virgin resources[4].

Replacing imported virgin resources with recycled materials means that the EU can significantly strengthen its raw material security. A more circular economy reduces exposure to geopolitical tensions, trade disruptions and price volatility while creating a more resilient industrial base. At the same time the environmental benefits are substantial.

Through circular business models, waste can be transformed into valuable inputs, reducing both emissions and dependence on imports. The EU strategy emphasizes that the free movement of circular products and secondary raw materials should be facilitated, for example by removing regulatory barriers and standardizing quality requirements.

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A more circular economy lowers production costs, creates new jobs in recycling and repair, and strengthens the Union's raw material security. For companies, this opens up business opportunities, new services for take-back, remanufacturing, and material recovery are emerging as policies and customer expectations evolve.

Business models for a circular economy

A Swedish company at the forefront of the circular economy is Stena Recycling, a recycling group that transforms waste into new resources. At the Stena Nordic Recycling Center in Halmstad, arguably Europe's most advanced recycling facility, up to 95 percent of the material in an end-of-life vehicle can now be recovered. This means that nearly the entire vehicle is taken care of and turned into, for example, metals and plastics that can be reused instead of ending up in landfills.

The investment in this facility, the size of 80 football fields, is the largest in the history of Stena. It enables industrial-scale recycling of complex products and generates a steady flow of high-quality recycled raw materials back to industry. For Stena's customers, ranging from the automotive sector to municipalities, this means that circular materials can now replace virgin resources, reducing carbon footprints while securing access to critical materials.

Stena Recycling's investment illustrates how policy and innovation go hand in hand: the EU sets requirements that 95 percent of each end-of-life vehicle must be recycled under EU directives and ambitious companies deliver the solutions. Circular business models like this create new jobs in the recycling sector and position Sweden as a leader in circular technologies.

[2] https://www.delorscentre.eu/en/publications/eu-critical-raw-materials?tx_lfpublications_related%5Bpublication%5D=1192&cHash=ca4d04b764176ea548ecf8521ab3d91c
[3] https://ec.europa.eu/commission/presscorner/detail/en/ip_25_550

EU policy levers to accelerate circular innovation

5. Adopt a robust Circular Economy Act

The Act should establish legally binding targets to achieve a 23 percent circular material usage by 2030, up from the current 11.8 percent. It must also include provisions to facilitate the seamless cross-border movement of circular products and secondary raw materials. Harmonizing waste classifications, recycling standards, and quality benchmarks across Member States will significantly reduce barriers faced by circular businesses, enabling operations like Stena Recycling to efficiently scale their activities across the EU market.

6. Stimulate markets for recycled materials

Implement mandatory minimum recycled content requirements in critical product categories, such as plastics, construction materials, electronics, and textiles. Public procurement policies should explicitly reward products with high recycled content or demonstrable circularity, leveraging the purchasing power of public institutions to create significant lead markets. These measures will enhance demand certainty, prompting investments in recycling infrastructure and fostering market conditions conducive to innovation and competition among circular businesses.

7. Support circular innovation and infrastructure

The EU should develop dedicated funding mechanisms, such as a European Circularity Fund, under the frameworks of InvestEU or the Innovation Fund, specifically aimed at scaling circular innovations and infrastructure. This funding could co-finance advanced recycling facilities, remanufacturing centers, repair services, and digital platforms enabling product reuse and sharing. Moreover, the EU should streamline regulatory procedures, including permitting and approvals, for circular economy projects, reducing the administrative burdens that currently impede rapid implementation and scale-up of innovative solutions.

8. Strengthening import regulations to support circular economy and chemical safety

Products containing certain hazardous substances are prohibited from being manufactured within the EU. However, the import of such products, such as cables, textiles and plastic, remains permitted. This regulatory inconsistency undermines the EUs internal chemical safety framework and places a disproportionate burden on member states. These imported material streams frequently become hazardous waste within the Union and, due to insufficient traceability, create significant challenges for the recycling sector. Therefore, the EU should introduce a ban on the import of such products, aligning external trade polices with internal environmental and health standards to support a safer circular economy.

3 Fair competition in a green economy; ETS 1, ETS 2 and CBAM

Carbon price as a tool for fair competition

Carbon pricing remains essential for addressing climate change effectively, providing clear economic incentives for emissions reduction. The EU Emissions Trading System (ETS), a cornerstone of EU climate policy, has been pivotal in driving emissions reductions across industry, power generation, and aviation. Recent reforms within the Fit for 55 package significantly strengthened the ETS ambition, requiring covered sectors to achieve a 62 percent reduction in emissions by 2030 compared to 2005. Additionally, a new system (ETS2) will extend carbon pricing to buildings and road transport starting from 2027, widening the scope of emissions covered and reinforcing climate policy coherence across sectors.

Alongside ETS1 and ETS2, the Carbon Border Adjustment Mechanism (CBAM) seeks to maintain fair competition and prevent carbon leakage by imposing levies on imports of carbon-intensive products such as steel, cement, and aluminum

The EU Emissions Trading System (ETS), a cornerstone of EU climate policy, has been pivotal in driving emissions reductions across industry, power generation, and aviation.

from countries with weaker climate regulations. CBAM thus equalizes carbon costs between EU-produced and imported goods, incentivizing international trading partners to adopt equivalent climate measures.

Business perspectives on carbon border adjustment

The Swedish steel manufacturer SSAB is a compelling example of how clear regulations can stimulate green innovation, and why fair competition through CBAM is crucial. Globally, the steel industry accounts for approximately 7–8 percent of carbon dioxide emissions, but SSAB aims to eliminate its emissions through the HYBRIT initiative. In collaboration with Vattenfall and LKAB, SSAB has developed a technology to produce steel without using coal, by employing hydrogen-reduced iron sponge instead of blast furnaces. As early as 2021, HYBRIT delivered the world's first fossil-free steel to a customer, Volvo AB, as a pilot batch. The plan is to have large-scale commercial fossil-free steel production up and running by 2026.

This groundbreaking project has been made possible by a high carbon price within the EU ETS, which makes it economically attractive to replace coal with hydrogen. At the same time, SSAB and other EU producers view CBAM as a necessary complement: as they invest in more expensive green processes, it is critical that imported steel from, for example, China, carries a corresponding carbon cost, so that "dirty steel" does not undercut the market.

Starting in 2026, CBAM will begin charging fees on imports based on their embedded emissions, in parallel with the phase-out of free allocation of ETS emission allowances for these sectors. For SSAB, this means their fossil-free steel can compete more fairly in price with conventional steel, an early customer like Volvo can choose green steel without being economically disadvantaged.

Ensuring a just transition for industries

9. Maintain a strong and stable ETS price

The EU must uphold a stable, progressively increasing ETS price to provide clear investment signals. Avoidance of arbitrary market interventions or exemptions is crucial. Predictability in carbon pricing stimulates long-term investments in low-carbon technologies and makes energy efficiency economically attractive.

10. Fully implement CBAM and simplify its administration

Full and ambitious CBAM implementation is essential, progressively widening its coverage to include additional sectors such as chemicals, agriculture, plastics and eventually finished goods, such as cars. Reducing administrative complexity through streamlined digital procedures and clear, standardized reporting requirements is equally important. Additionally, the EU should provide targeted capacity-building support for smaller importers and exporters to manage CBAM compliance, ensuring smooth implementation without undue administrative burdens.

11. Accelerate Phase-out of Free ETS Allowances

The transition from free emission allowances to the Carbon Border Adjustment Mechanism (CBAM) must be accelerated. Phasing out free allowances and phasing in CBAM ensures robust protection against carbon leakage while eliminating subsidies. Accelerating this dual transition will help establish a truly competitive and fair market, both within the EU and internationally, by leveling the playing field and incentivizing low-carbon production across borders.

12. Support green industrial investments with ETS/CBAM revenues

100 percent of EU ETS and future ETS2 auction revenues should finance climate investments. This could be done via the EU Innovation Fund or a new Industrial Decarbonisation Bank, in line with the Clean Industrial Deal. The aim is to help industries with high investment needs (steel, cement, chemicals, etc.) finance their technological shift.

13. Maintain the integrity of the EU ETS

While there is a need for both carbon removals in the EU and international offsets, over-reliance on these mechanisms risk delaying real progress towards net-zero and undermines the credibility of the system. Therefore, they should not be allowed to be a substitute for direct emissions reductions in the ETS.

4 Scaling the bioeconomy for climate and competitiveness

A sustainable bioeconomy: From farm and forest to fuel and fiber

The EU's bioeconomy – spanning sustainable agriculture, forestry, and bio-based industries – is emerging as a powerful engine of climate innovation and green growth. By converting renewable biological resources into food, materials, and energy products, a scaled-up bioeconomy can replace fossil-based inputs, cut emissions, and spur rural development. The European Bioeconomy Strategy explicitly recognizes this potential, aiming to "accelerate the deployment of a sustainable European bioeconomy" and listing actions to support new biorefineries and sustainable bio mass use. As the EU strives for climate neutrality, expanding the bioeconomy not only reduces dependence on imported oil and chemical feedstocks – it also creates domestic jobs and value chains. In fact, Europe's bioeconomy already employs over 17 million people, with a turnover above €2.4 trillion as of 2019. With the right policies, these numbers could grow substantially, making the bio-based sector a cornerstone of a competitive, net-zero European industry.

Europe's vast farmlands and forests with their photosynthesis form the backbone of its bioeconomy. By adopting sustainable practices, these sectors can supply biomass for low-carbon products while enhancing climate resilience. Agriculture is not only about food production – it's increasingly about energy and biomaterials. For example, farmers can turn crop residues and manure into biogas, cutting methane emissions and providing renewable fuels for transport and heating. Climate-smart farming methods can lower the agricultural carbon footprint and increase yields simultaneously. The EU's Common Agricultural Policy is gradually shifting to support these practices, but more can be done to reward farmers for provisioning renewable raw materials alongside food.

As the EU strives for climate neutrality, expanding the bioeconomy not only reduces dependence on imported oil and chemical feedstocks – it also creates domestic jobs and value chains.

Forestry is the other pillar: sustainably managed European forests absorb CO€and provide wood and fibers that can replace emissions-intensive materials. Using timber in construction and biomaterials (like wood-based textiles or bioplastics) stores carbon and substitutes for concrete, steel, and plastics. Ensuring that forestry is managed within ecological limits is crucial – a truly sustainable bioeconomy must protect biodiversity and soil health even as biomass harvests increase. By making farm and forest management even more sustainable and productive, the EU can secure a reliable supply of renewable resources for its industries without degrading land or ecosystems.

Business at the frontier: Biorefineries and bio-based innovation

European companies are already demonstrating how bioeconomy innovation can achieve climate goals and create competitive advantage. A case in point is Lantmännen, a Swedish agricultural cooperative, which operates one of Europe's most advanced grain biorefineries. This facility converts surplus wheat and even bakery waste into fuel ethanol , high-protein animal feed, and food-grade carbon dioxide – leaving nothing to waste in the process. By achieving over 90 percent greenhouse-gas savings compared to fossil fuels in its ethanol production, Lantmännen proves that bio-based fuels can significantly cut transport emissions while bolstering Europe's fuel and food security. The venture also illustrates rural industrial symbiosis: farmers gain a stable market for their crops and residues, the biorefinery outputs valuable co-products (like feed and bio-CO€for beverages), and local economies benefit from new investment and jobs. The forestry sector is moving from traditional pulp and paper into innovative wood-based materials. For example, wood fibers are being used to create biodegradable packaging and even textile fibers, displacing plastics and cotton with a lower-carbon alternative. These business examples underscore a broader point: the bioeconomy enables circular business models in which biological resources are continually regenerated and repurposed. Policies at the EU level – such as the Bio-Based Industries Joint Undertaking – have already co-funded flagship biorefineries to accelerate such innovation. Staying ahead in the global green economy race requires scaling up these successes. With clear support, Europe can lead in technologies like sustainable biofuels, bio-chemicals, and plant-based polymers – converting its natural advantage in sustainable biomass into commercial leadership.

The bioeconomy enables circular business models in which biological resources are continually regenerated and repurposed.

EU policy to scale up the bioeconomy

14. Boost investment in biorefineries and bio-based innovation.

The EU should expand funding for bioeconomy R&D and the scale-up of new technologies. This means strengthening public-private partnerships like the Circular Bio-Based Europe Joint Undertaking and dedicating innovation funds to first-of-a-kind biorefinery projects. Scaling commercial production of biofuels, bio-based chemicals, and materials is capital-intensive – supportive financing and risk-sharing will help bridge the "valley of death" for promising technologies. By catalyzing dozens of new biorefineries (as the Bioeconomy Strategy envisions), the EU can accelerate the availability of low-carbon alternatives in fuels, plastics, textiles, and more.

15. Incentivise sustainable farming and forestry for biomass production.

To supply growing bio-based industries sustainably, the EU must align its agricultural and forestry policies with bioeconomy goals. This could include encouraging farmers to grow dedicated energy or fiber crops on marginal lands and rewarding climate-friendly practices through CAP funding. For instance, CAP strategic plans should more strongly support production of biomass for biogas and cultivation techniques that sequester carbon in soil. In parallel, the EU Forest Strategy can incentivize climate-smart forestry – harvesting wood within ecological limits, replanting and expanding forests and promoting forest certification. Such measures ensure a steady, sustainable feedstock supply for biorefineries and wood industries while enhancing carbon sinks and biodiversity. A dedicated Just Transition fund for farmers and forest owners could help retrain and equip the workforce for these new opportunities.

16. Create strong markets for bio-based and wood-based products.

Driving demand is essential for the bioeconomy to scale. The EU should implement market-making policies similar to those for recycled materials – for example, setting targets or standards for bio-based content in certain products, such as packaging, construction materials, textiles, etc. Public procurement can be a powerful lever: cities and government bodies could be required to prefer bio-based, compostable products and timber construction in their purchasing. Clear labeling and standards should be developed to assure consumers that bio-based products are sustainable. In addition, the EU can extend the principle of fair competition to this arena: recent moves like the regulation against imports linked to deforestation demonstrate the EU's willingness to ensure that imported agri-forestry goods meet the same sustainability criteria as European products. This level playing field will reward innovators like Lantmännen and protect them from being undercut by unsustainable commodities from abroad – much as the CBAM seeks to do for steel and cement.

17. Strengthen the role of bio-CCU in the EU bioeconomy

Today, the majority of Europe's chemicals, materials, and fuels are produced from fossil carbon. To successfully transition to a renewable and circular economy, we must utilize sustainable carbon atoms – including those from biogenic sources. Biogenic carbon capture and utilization (bio-CCU) offers a unique opportunity to close the carbon loop in bio-based industries. By capturing CO€from bio-based energy and industrial processes, bio-CCU can supply renewable carbon for fuels, chemicals, and food-grade applications – reducing fossil dependency and enhancing circularity. Existing industries such as biomass-based Combined Heat and Power (CHP) and pulp and paper facilities are well-positioned to implement bio-CCU, thanks to stable and concentrated CO€streams from biogenic residues. Targeted support for bio-CCU can accelerate deployment and contribute to circular, resilient, and climate-neutral value chains. EU policies should more clearly integrate bio-CCU into the bioeconomy agenda.

5 Simplification at what cost? Business uncertainty in the wake

In February 2025, the European Commission presented the Omnibus package, aiming to streamline and simplify key sustainability regulations, namely the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), and the EU Taxonomy for sustainable activities. This legislative initiative seeks to reduce administrative burdens on companies, particularly SMEs, and enhance Europe's overall competitiveness by clarifying and easing compliance requirements.

While simplification is welcome in principle, the Omnibus package risks weakening the very foundations of the EU's sustainability framework. Several proposed changes, such as raising company size thresholds for CSRD applicability, easing due diligence timelines under CSDDD, and introducing more flexible reporting options, may inadvertently undermine the long-term predictability that businesses depend on to plan climate and sustainability investments.

For instance, the proposal to limit CSRD obligations to firms with over 1,000 employees could exclude approximately 80 percent of currently covered companies, removing valuable transparency tools and sending ambiguous signals to the wider market. Similarly, reducing the frequency of mandatory due diligence assessments under CSDDD (e.g. from annual to every five years) and narrowing the scope to only direct business relationships may delay the identification and mitigation of environmental and human rights risks within value chains.

These changes, though administratively convenient, come with potential costs: the risk of creating regulatory fragmentation, diminishing market comparability, and lowering ambition across sectors.

These changes, though administratively convenient, come with potential costs: the risk of creating regulatory fragmentation, diminishing market comparability, and lowering ambition across sectors. For businesses already investing in robust ESG systems, the rolling back of obligations may create uncertainty about future expectations, while also diluting incentives for others to improve. In short, rather than levelling the playing field, the Omnibus revisions could create a two-tiered sustainability landscape.

IKEA – Making sustainability a competitive advantage

IKEA has turned sustainability reporting and ambitious climate goals into a cornerstone of its business success. The group's leadership sees sustainability not as a compliance burden but as a "competitive business advantage". By transparently tracking progress on its climate and circularity targets, such as using only renewable or recycled materials by 2030, IKEA has strengthened stakeholder confidence and future-proofed its business model.

Crucially, IKEA's proactive disclosures have boosted its brand reputation and customer loyalty. The company has observed a surge in public interest around its sustainability initiatives – in a recent survey, 68 percent of IKEA customers voiced deep concern about climate change. IKEA shares its progress openly in annual sustainability reports, which in turn inspires its partners: over one-third of IKEA's direct suppliers now operate with 100 percent renewable energy. This culture of accountability and innovation has not only enhanced the retailer's global brand but also helped attract talent and partners who align with its values, illustrating how rigorous sustainability reporting can translate into long-term business value.

IKEA's proactive disclosures have boosted its brand reputation and customer loyalty.

Policy measures to boost competitiveness and green manufacturing

18. Preserve broad sustainability coverage in the CSRD

Retain the broad scope of the CSRD to ensure transparency across the business sector. Avoid limiting mandatory reporting to companies with over 1,000 employees, as this would exclude approximately 80 percent of currently covered firms, reducing the transparency and missing the educational and innovation benefits that SMEs gain from sustainability assessments. To balance cost and benefit, phase in audit requirements, starting with limited assurance before moving to reasonable assurance and eliminate duplicate reporting by aligning data requirements between CSRD, Taxonomy and CSDDD.

19. Strengthen CSDDD through gradual implementation and risk focus

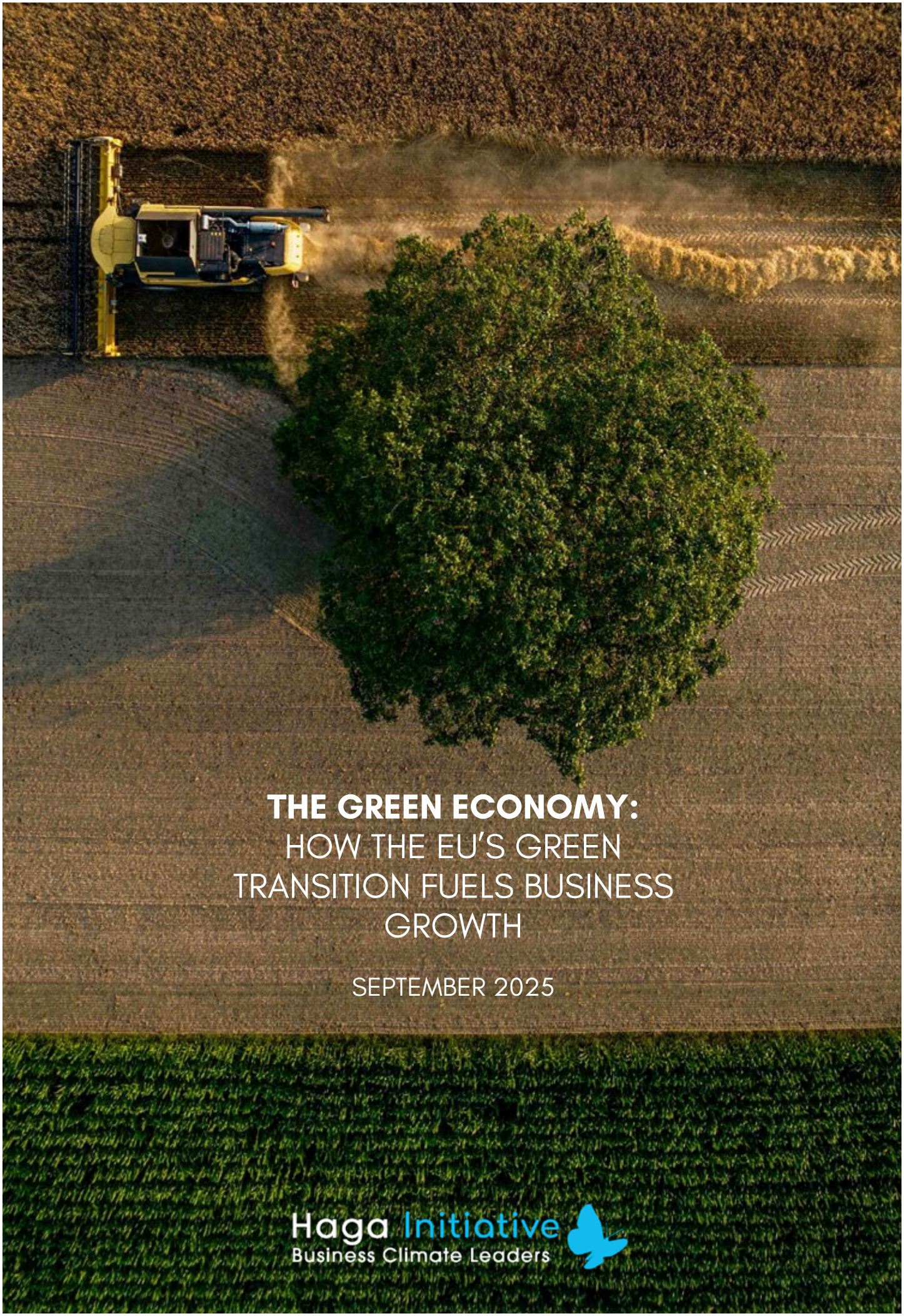
Broaden the due diligence requirements beyond just first-tier suppliers to include suppliers further down the value chain. Implement these requirements gradually, introducing them at a two-year interval for supplier's tier n1-3, while ensuring that risk assessments are conducted at least every three years. This approach maintains the directives intent without overwhelming businesses.

20. Simplify and harmonize Taxonomy requirements

Maintain the strict criteria of the EU Taxonomy for sustainable investments, while providing improved sector-specific guidance for SMEs to support gradual adaptation. Introduce a materiality criterion to ensure that only relevant impacts are reported, reducing the administrative burden without compromising environmental integrity.

21. Focus on effective implementation without delays

Ensure that newly adopted sustainability regulations are implemented effectively by providing clear guidance, training and support from EU institutions. Avoid delaying reforms but consider phased introduction for certain requirements, such as full audit obligations, to give businesses time to adjust.



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