BRIEFING - February 2026

Locked out of green finance: What's holding truckmakers back?

Summary

European truckmakers pledge a zero-emission future, yet green finance remains marginal in funding the sector's transition.

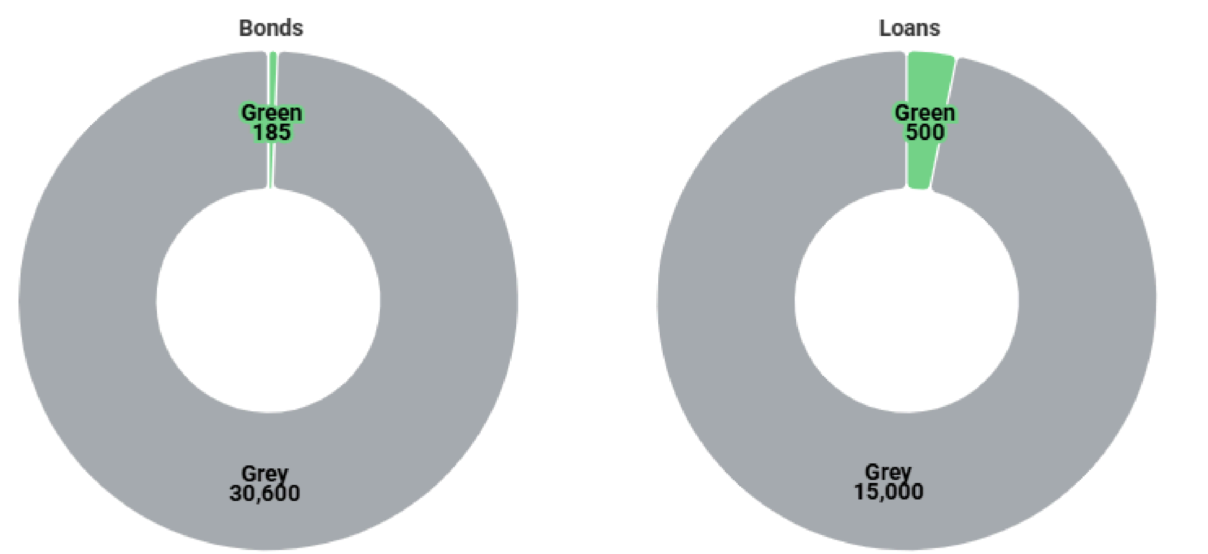
The European truck industry faces growing competitive pressure. Chinese manufacturers are scaling up electric truck production rapidly and expanding in the global market. **European truckmakers commit to battery-electric vehicles, but production expands too slowly to win the race.** Efforts to weaken EU CO_2 standards risk slowing the very transition essential for their long-term competitiveness, handing an advantage to their foreign counterparts.

Green finance still plays no meaningful role in steering the sectors' transition.

Truck makers rely on conventional bank loans and standard bond issuance. These channels provide ample capital, but they come without climate conditions. Green bonds, by contrast, remain unattractive. From a corporate perspective, they impose strict earmarking, extra reporting and closer scrutiny, with no clear financial upside.

Only a risible share of European truckmakers' debt is green

Sustainable debt instruments represent 3.4% of total loans and 0.6% of bonds (data in million €)



Source: Bloomberg Terminal, extracted on December 17, 2025. Both labelled and self-reported green instruments are included.

A key factor is the absence of a consistent "greenium". Green bonds do not reliably offer lower borrowing costs. For manufacturers with high current emissions and transition pathways still off-track, green debt seems to provide little incentive.

Regulatory uncertainty reinforces this pattern. **Ambiguity around future EU truck CO_2 standards** and difficulties aligning activities with the EU Taxonomy criteria weaken investor confidence. In this context, demand for genuinely green instruments in the truck manufacturing sector remains limited.

Capital markets do not yet distinguish between leaders and laggards in the truck transition. This allows manufacturers to continue relying on conventional finance while avoiding the discipline of green instruments.

Recommendations

- Truck **manufacturers should launch pilot green finance projects** to scale Electric Vehicle (EV) capital expenditure and send a credible signal to investors. This requires significantly **improved transparency and ESG disclosures**, particularly on Scope 3 emissions and green research and development (R&D) spending, to demonstrate the robustness of their transition strategies.

- **Investors and banks should strengthen incentives for electrification** by providing lower yields for genuinely green projects and making their support conditional on the development and implementation of robust electrification strategies.

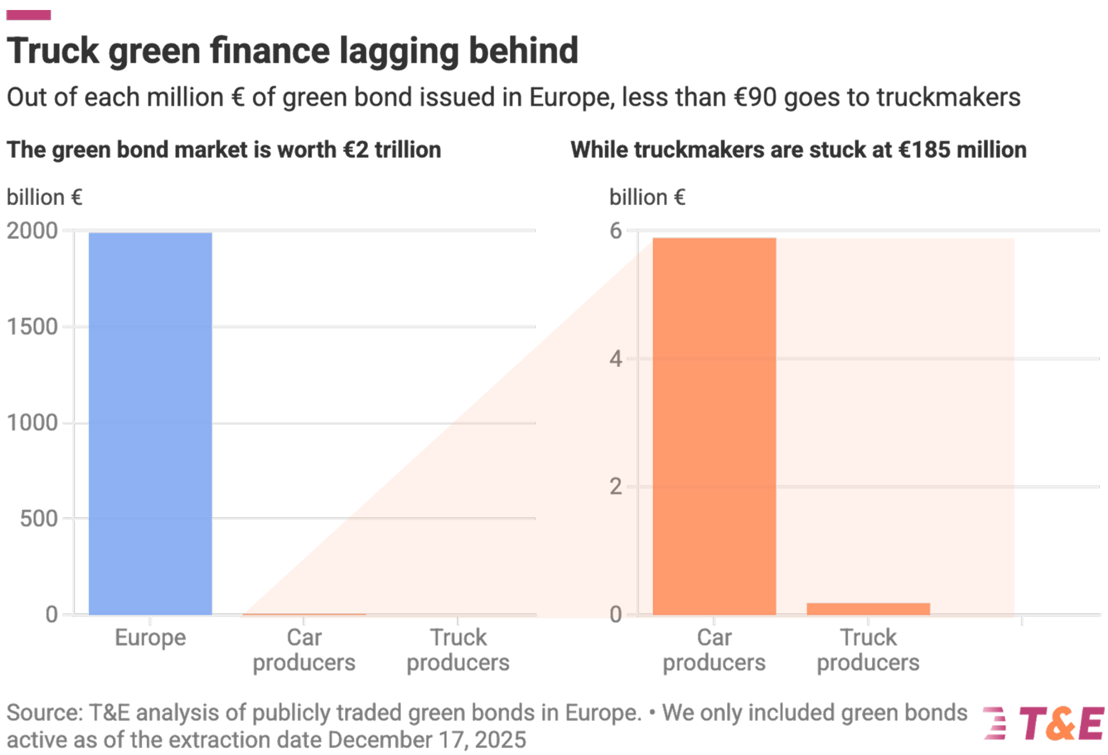
- **EU policymakers should provide regulatory certainty** for investors by confirming and strengthening truckCO_2 standards and maintaining ambitious EU Taxonomy criteria for green truck manufacturing. This would enable capital markets to accelerate the transition.

1. Green finance exists and works, but not in the truck sector. Why green finance has not yet reached green trucks

Sustainable finance instruments such as green bonds and sustainability-linked loans (SLLs) are expanding fast in Europe. They allow investors to direct capital toward environmentally and socially responsible projects. The European Central Bank estimates the European sustainable bond market at around €2 trillion, with global growth expected in coming years.

Automakers have embraced these instruments in recent years. Several have issued green bonds to finance electric vehicle (EV) development. Volvo Cars alone has raised more than €1 billion in green bonds for EV and climate projects. Volkswagen and Stellantis have also issued large green bonds since 2020 and taken out SLLs. In total, automotive green and sustainable bonds in Europe now amount to roughly €6 billion.

The picture looks different for heavy-duty vehicles, where the uptake of green finance has been extremely slow. EU truck CO_2 standards are pushing truck makers such as Daimler Truck, Volvo Group, Iveco Group and DAF to accelerate zero-emission truck development. **Yet none of these companies has issued a green financing instrument to fund this transition**. Scania is the exception. It became the first truck maker to issue a green bond in 2020. It followed with a second issuance of around €185 million in 2022 to support battery-electric trucks' development. Other major truck makers have not followed suit. Some have developed green finance frameworks but left them unused.



2. From a corporate finance view, truck makers do not need green money

From the viewpoint of the companies' treasury and finance teams, several practical factors explain why green-labelled finance still plays a marginal role in funding the truck sector's transition.

2.1 Conventional capital still does the job

Major truck makers have not faced financing constraints. Public disclosures and balance-sheet data show that companies fund zero-emission investments through internal cash, conventional debt instruments and public support. Green-labelled capital has not been necessary.

Manufacturers can rely on existing resources or standard bond markets. This reduces pressure to seek alternative instruments. Conventional finance remains cheap, flexible and readily available.

Daimler Truck illustrates this clearly. During its 2021 spin-off, it raised $6 billion through a conventional U.S. "Yankee" bond. The company secured large liquidity without the added complexity of green debt issuance. Volvo Group - separate from Volvo cars - and Iveco Group followed similar paths, relying primarily on standard bonds and bank loans.

Public banks also play a major role. Volvo Group received a €500 million EIB loan in 2022 to support electric trucks and hydrogen R&D. Iveco Group secured a €450 million EIB loan in 2023 for zero-emission technology investments. Daimler Truck additionally received a €226 million German government grant to develop hydrogen fuel-cell trucks. This public support further reduces incentives to issue green debt.

Scania's - part of the TRATON Group - €185 million green bond remains marginal. It represents just 0.6% of total bond issuance at group level. On the loan side, TRATON is the only truck maker to have secured a sustainability-linked loan, worth €500 million. This accounts for around 3.4% of the market. The group does not disclose how this amount is distributed across its truck brands.

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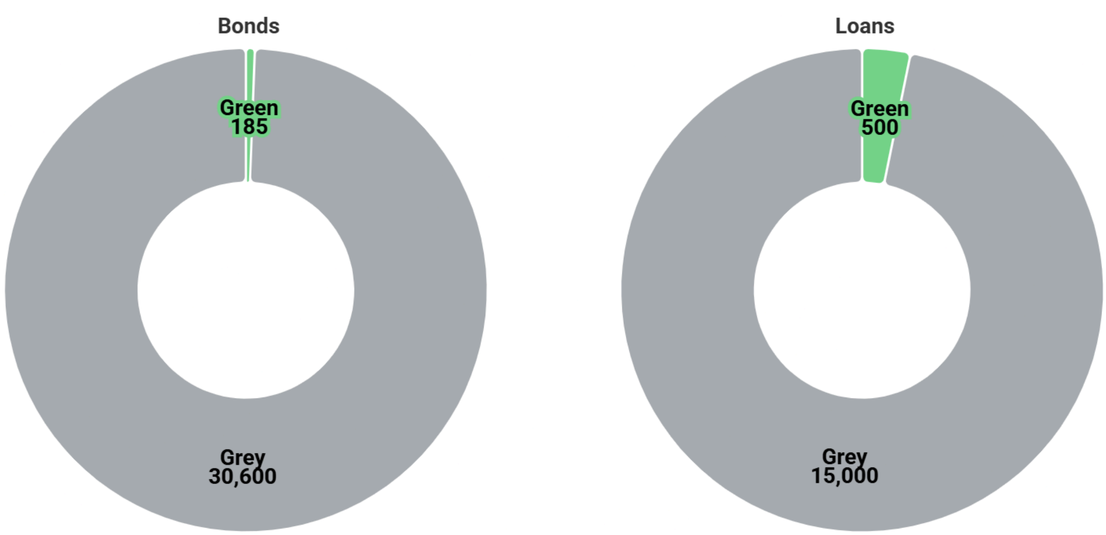


Source: Bloomberg Terminal, extracted on December 17, 2025. Both labelled and self-reported green instruments are included.

2.2 Truck makers favor conservative strategies, rating goals and flexibility

Truck manufacturing is cyclical and capital-intensive and companies in this sector tend to prioritise liquidity and strong credit ratings to absorb market shocks. This encourages conservative financial strategies.

Our research finds new bond issuance is often driven by refinancing needs, especially for captive finance subsidiaries. It is less about funding specific projects. When internal cash and bank loans suffice, green bonds seem to offer limited added value. They restrict how proceeds can be used and limit flexibility on capital employment. Conventional bonds do not and this flexibility matters. Companies may therefore already allocate internal budgets to green investments while keeping external financing unrestricted.

Flexibility matters even more amid technological uncertainty. Truck makers invest across multiple zero-emission pathways including battery-electric and hydrogen fuel-cell. Earmarking funds too narrowly may be perceived as constraining. Delaying green issuance can therefore reflect a preference for financial stability until investment pipelines become larger, more predictable and clearly aligned with green finance credentials.

This caution is reinforced by the pace of the sector's transition. As long as diesel trucks still dominate sales and zero-emission volumes remain limited, truck makers may struggle to build a large, clearly eligible pipeline of green investments. In that context, green-labelled issuance can appear premature. In other words, truck makers' choice to slowly scale-up zero-emission truck production means that eligible spending may not yet be large or stable enough to anchor a dedicated green bond strategy.

2.3 Administrative costs and complexity limit green finance uptake

Green finance comes with extra requirements. Issuers must create a green finance framework, obtain external verification, track the use of proceeds and report annually on impacts. These steps add cost and complexity. This can deter issuance when financial benefits remain uncertain.

Daimler Truck and Volvo Group both developed green finance frameworks that received "Dark Green" ratings from CICERO - one of the world's largest providers of second party opinions on green bonds. Neither company has issued a green instrument under those frameworks since.

This reflects a cautious approach. Companies appear willing to use green finance only when it offers clear financial advantages. Lower borrowing costs or a pressing funding need tend to be decisive.

Recommendations for truck makers

1. **Activate existing green finance frameworks with** pilot limited scale green bond or loan issuances that can help test investor appetite, internal reporting processes and Taxonomy-alignment, without constraining financial flexibility.

2. **Increase transparency on green CapEx and R&D** to strengthen the credibility with investors and signal commitment to zero-emission trucking and reduce greenwashing concerns.

3. Investors do not offer cheaper capital for green truck finance

Market conditions and investor behaviour may also explain why truck makers make limited use of green-labelled debt.

3.1 Limited or inconsistent "greenium": markets do not yet reward green labels

In theory, green bonds can make it cheaper for companies to borrow money. This happens because some investors are willing to accept a slightly lower return on their investment in exchange for supporting environmental projects.

A *lower return* (also called a lower *yield*) means the company pays less interest on the money it borrows. When borrowing becomes cheaper, the company's overall cost of financing its activities goes down. Economists call this the *weighted average cost of capital (WACC)*, which is simply the average cost a company pays to raise money from investors and lenders.

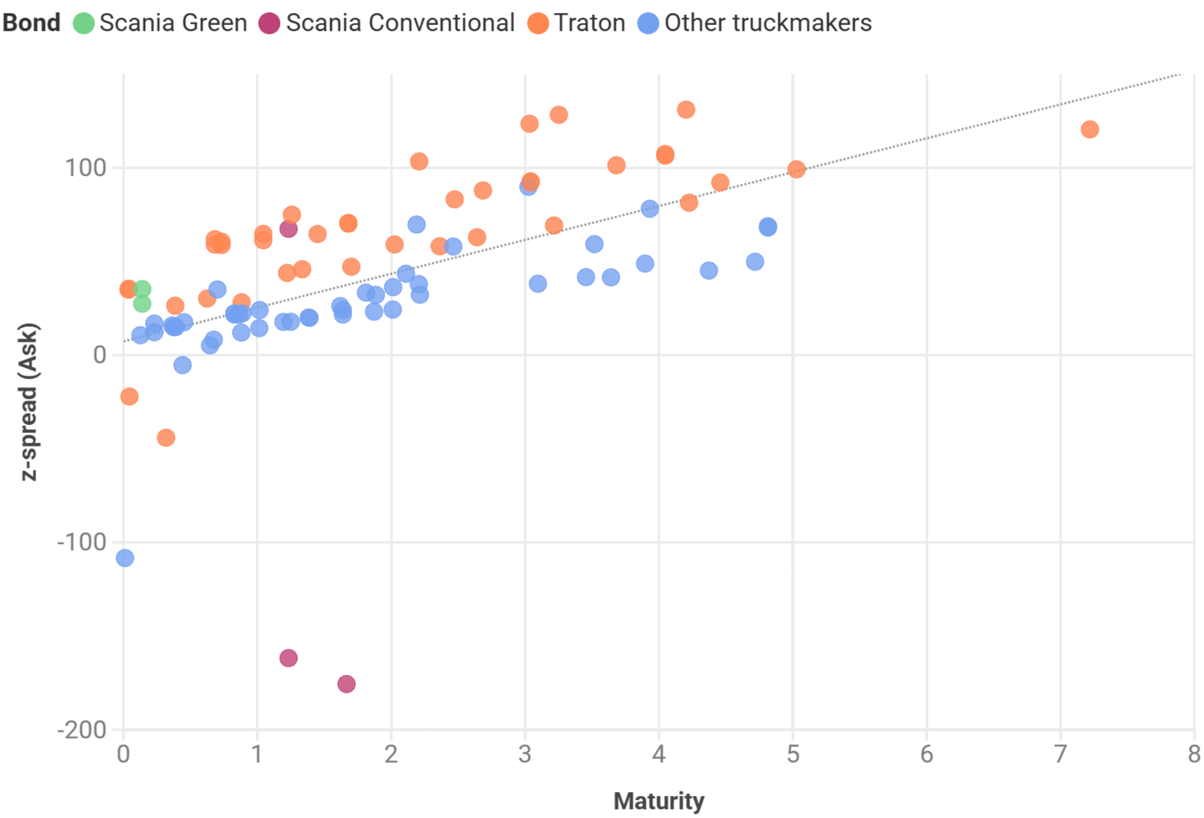
In practice, evidence remains mixed. Available data shows that *greenium* effects vary across sectors and issuers. Research by ABN Amro finds that a *greenium* can exist under specific conditions. It also points to potential growth in European green bond markets.

Passenger car makers provide clearer examples of large companies able to access the green bond market and benefit from a modest *greenium*. Mercedes-Benz Group has issued several green bonds since 2020 to mainly finance battery electric vehicles, battery systems and charging infrastructure. Issuance rates were equal or slightly below conventional bonds. The price benefit was modest, but visible. Clear use-of-proceeds and strong EU Taxonomy alignment made this possible.

Truck makers don't see the same effect. Scania's green bonds for example trade wider than its conventional bonds. Investors demand higher yields, not lower ones suggesting that the green label does not translate into cheaper capital.

Any *greenium*?

Truck green bonds do not offer lower yield than their conventional counterparts



Data extracted from the Bloomberg Terminal on 17 December 2025. The z-spread is the standard measure for the extra yield a bond pays to compensate for its risk.

Once extra issuance and reporting costs are considered, the financial case weakens further. Without a reliable *greenium*, incentives to issue green bonds remain limited.

3.2 Conventional debt limits investor base expansion

Truck makers are large, well established, investment-grade issuers. Their conventional bonds already attract strong demand from institutional investors. This may limit the additional appeal of a green label to further expand the investor base.

Some ESG-focused funds prefer labelled instruments. Others may still exclude or underweight truck makers due to their high absolute emissions, especially Scope 3 emissions from vehicle use. In these cases, green labelling might not change demand for truck bonds, limiting strategic value from the issuer's perspective.

As investor scrutiny increases and EU sustainable finance rules raise expectations on credibility and alignment, issuing green debt while most revenues still come from diesel truck sales may carry reputational risks.

Companies may therefore delay issuance until zero-emission revenues or capital expenditure reach more meaningful levels from a sustainability perspective. Scania's experience reflects this dynamic. Its green bond was subscribed mainly by Nordic investors with a strong ESG focus. Interest was thus concentrated rather than broad-based.

This cautious stance may protect credibility. As zero-emission truck sales grow, green finance may become easier to justify and more impactful.

Recommendations for banks and investors

1. **Strengthen financial incentives for credible green issuance** to ensure that green truck investments benefit from tangible pricing advantages.

2. **Support first movers through anchor investments** to help building market confidence and liquidity.

4. Credibility comes with complexity: EU rules raise the bar but slow uptake

EU sustainable finance rules were designed to accelerate green investments. In practice, regulatory uncertainty encourages caution. Fast-changing policy debates and evolving rules affect corporate financing decisions, including in the truckmaking sector.

4.1 Sustainable finance rules raise credibility, but also delay action

The EU Taxonomy Regulation, adopted in 2019, defines which economic activities qualify as sustainable. It was specifically designed to separate genuinely green investments from unsubstantiated environmental claims. The framework covers six environmental objectives and includes detailed technical screening criteria that evolve alongside technology and are currently under revision.

Under the EU Taxonomy, both zero-emission trucks and low-emission trucks can qualify as aligned. In practice, only zero-emission trucks are currently available at scale on the EU market. As a result, truck makers can credibly classify their activities or financing as “green” only when investing in zero-emission trucks.

While stringent criteria ensure the integrity of sustainable finance and prevent greenwashing risks, it can also raise compliance hurdles. Volvo Group, for instance, has attributed its delays in issuing green finance instruments to the complexity of aligning its manufacturing activities with the Do No Significant Harm (DNSH) criteria. This especially refers to pollution prevention and control and the use of hazardous substances in the manufacturing process.

This highlights a broader issue. Much of today’s truck investment does not meet EU Taxonomy thresholds. Only battery-electric, hydrogen ICE or hydrogen fuel-cell trucks clearly qualify. Issuing green bonds without a robust pipeline of EU Taxonomy-aligned projects creates regulatory and reputational risks. Delaying green issuance can therefore be a risk-management choice.

Geography adds another layer. Despite being based in Europe, truck makers raise capital globally. Even though taxonomies are undergoing a massive development worldwide, EU-specific rules do not apply in other markets. In regions without comparable frameworks, green bonds may attract less interest. This might limit demand to a smaller group of informed investors, as seen in Nordic markets.

In parallel, the EU also introduced a voluntary European Green Bond Standard (EU GBS). It aims to harmonise best practices and strengthen credibility, but its uptake remains limited. Since becoming applicable in December 2024, issuance has been modest and concentrated among few large issuers.

According to MainStreet Partners, by mid-2025, around €8.5 billion of bonds have been issued under the EU standard. Deals came mainly from public or quasi-public issuers like the European Investment Bank. Market participants cite several structural barriers: voluntary adoption, strict reporting rules, verification costs and the complexity of ensuring full alignment with the EU Taxonomy. Many issuers continue to rely on existing green bond frameworks instead.

4.2 Uncertainty around truck CO_2 standards holds truck makers back

Regulatory uncertainty goes beyond sustainable finance rules. EU CO_2 standards for trucks are the main driver of investments in zero-emission vehicles. However, ongoing political debates about weakening or revising these standards, less than two years after their adoption, create uncertainty about future market demand.

This uncertainty affects investment decisions. If long-term requirements for zero-emission trucks appear unstable, truck makers may hesitate to commit capital. Calls to revise or weaken the ambition, including from the industry itself, contribute to that instability. Financial and technological strategies depend on credible and predictable regulation.

Backtracking on electric truck targets would shake confidence in Europe's charging infrastructure market and hand a competitive advantage to Chinese truckmakers.

Recommendations for policymakers

1. **Provide regulatory certainty on CO2 standards for trucks** as a prerequisite for green finance. Any weakening or delay risks undermining investment signals and discouraging both technological deployment and green capital mobilisation.

2. **Clarify and stabilise EU Taxonomy criteria for heavy-duty transport** to increase predictability, reduce compliance risk and encourage issuance.

3. **Align public funding with private green finance to incentivise** co-issuance mechanisms to lower risk for private investors while preserving market discipline.

5. Green finance could accelerate the transition

Major European truck makers do not face a shortage of capital. According to recent T&E analysis they are financially healthy. Companies such as Daimler Truck, Volvo Group and Iveco have financed their transition using internal cash, conventional bonds and public funding. This explains the absence of green bonds or sustainability-linked instruments to date.

From a corporate perspective, green-labelled finance has so far offered limited financial upside. In parallel, it adds complexity, regulatory uncertainty and reputational risk. For now, the cost-benefit balance does not favour green issuance.

This financing behaviour reflects strategic caution in committing capital to the transition. Several truck makers have developed green finance frameworks but left them unused. This suggests a preference to delay binding commitments until regulatory requirements stabilise and zero-emission activities represent a larger and less risky share of the business.

Precedents show a different path is possible. Passenger car manufacturers such as Mercedes-Benz and Volvo Cars have accessed green debt markets without undermining investor confidence. Early truck-sector examples, including Scania, point in the same direction.

Conventional funding may be sufficient today. But targeted and credible green finance could still accelerate the transition. Clearer regulation, stronger EU climate targets for 2030 and 2040, greater regulatory certainty under the EU Taxonomy and wider uptake of the European Green Bond Standard could shift incentives.

If well designed and linked to genuine zero-emission investment, green financial instruments can help de-risk and scale clean truck production faster than business-as-usual financing.

Further information

T&E has conducted extensive analysis on the topics covered in this briefing. Interested readers are welcome to contact us for additional information.

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