

Sustainability as an economic necessity

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Introduction

What better Fight Song for a supervisor than Monty Python's 'Always look on the bright side of life'. Perhaps familiar to true lovers of British humor.

Because let's face it. The world we live in isn't a very pretty place right now.

Some things in life are bad [yes], they can really make you mad [yes].

But we will have to get on with it.

Don't rumble, give a whistle [yes], and this will help things turn for the best.

This is our approach. Even if a supervisor's whistle sometimes shares the quality of that of a referee.

From long term ambition to short time necessity

It would also be a hopeful angle for my story today. A story about a subject that no longer has the luxury of being non-committal: sustainability.

Simply because the urgency has increased.

The world has become harsher. Less predictable. War has returned to Europe, war has returned to the Middle East. Not as an abstract risk, but as a daily reality. With direct consequences for energy prices, for supply chains and for economic uncertainty.

At the same time, inflation is rising and interest rates are climbing. That changes the playing field for investments. Projects are being recalculated. Time horizons are shorter. Risks are greater.

And all this, against the background of by now familiar political tensions. In the United States in particular, sustainability is a polarizing political issue. ESG is no longer seen as an economic approach, but as an ideological label. Something you are either for or against.

In such an environment, talking about sustainability is more difficult. More political. Less neutral. And for some executives and institutions, it is even uncomfortable.

Every word related to sustainability needs to be weighed carefully.

Discussions about the energy transition are becoming more substantive.

Less trendy, perhaps. Fewer slogans. But more economically relevant than ever.

Sustainability used to be framed in terms of ambitions for the distant future.

Today, it is increasingly about immediate concerns: costs, energy security, risks, competitiveness.

The international circumstances that once made the debate on sustainability so complex are the very same circumstances that make sustainability economically inevitable. Solar and wind energy as vehicles for strategic autonomy.

We are shifting from an idealistic debate to a narrative of necessity.

Of course, the temptation remains to view sustainability as a fluffy add on, on top of the real economic work.

But that reasoning simply does not hold water.

Especially, as we are moving towards an economy that is not becoming less energy-intensive, but rather more so.

Think of our wave of digitalization, data centers and, of course, AI. The major energy guzzler.

At the same time, energy itself has become scarcer, more expensive and more geopolitically significant.

The energy transition is therefore no longer solely about CO₂ reduction or long-term targets. It is about resilience. About competitiveness. About strategic autonomy.

In short: sustainability simply makes economic sense.

You're no doubt familiar with the expression: never waste a good crisis. We're seeing this principle at work again today.

Historically, sustainability has the best chance of success when it's introduced not out of lofty convictions, but out of necessity.

Heat pumps were purchased on a massive scale. Not because regulations require it, but because gas became expensive. Investments in renewable energy did not take off because of idealism, but because of changing cost structures.

Companies are not restructuring their supply chains because of reports, but because dependencies have suddenly become very tangible.

That is not a failure of policy. It is a reality of the markets.

Markets are highly responsive to incentives. Capital follows returns, security and strategic advantages.

And this is not a unique European story. In the United States, much of the growth in renewable energy is taking place in states such as Texas. Not out of ideology. Not for symbolic reasons. But because solar and wind power are profitable.

So, this is the economic reality we live in.

Financial Markets

And precisely because that reality is so compelling, the following question arises:

How do we ensure that financial markets can factor that reality into their decisions?

That is what Europe has focused on in recent years. With a clear choice: creating insight. With transparency; reporting obligations, disclosure frameworks, data standards etc

Real change only comes about with all information on the table, when information feeds through to boards of directors, investment committees and credit decisions. That is where sustainability meets execution, where it becomes economically relevant. Or not.

In recent years, sustainability and financial products have become heavily labelled. SFDR categories. Taxonomy alignment. ESG scores. Impact claims. And now also: transition labels.

In a market that is growing rapidly and becoming increasingly complex, there is a need for structure. For guidance.

In that sense, labels fulfil a useful function. But labels also have a downside. And that downside demands attention today.

The first risk is that the label becomes more important than the underlying economic reality. That products are designed to fit into a category.

The second risk is that labels replace analysis. That the box on the fact sheet carries more weight than the strategy behind it. As if classification alone is sufficient to convey risk, return and transition capacity.

And then the third, and in my view the greatest risk: that labels create expectations that cannot be met in practice. Because a label is never neutral. It communicates a promise. Sometimes explicitly, sometimes implicitly. And the stronger the label, the higher the expectations.

This directly affects confidence in the market.

That trust comes under pressure when investors later discover that terms such as 'sustainable', 'impact' or 'transition' meant something different from what they thought. Not because anyone deliberately misled them, but because the meaning was too vague.

SFDRs transition label

That is precisely why we at the AFM are paying particular attention to a recent and significant development: the introduction of transition-related product categories within the SFDR.

We are positive about the intention behind this. Because this category recognizes that the transition will not succeed if we only invest in what is already sustainable today.

Tomorrow's economy will not be built solely by today's frontrunners. It will be built by sectors that are still energy-intensive today, but which must change. Think, for example, of the steel sector, the chemical sector, the transport sector and the construction sector.

If capital simply withdraws from these sectors, we will not accelerate the transition. We will merely shift the problem – often to other countries – with the same emissions, but less visibility and less influence.

Transition products acknowledge this reality. They highlight that sustainable impact often arises along the way – not just at the destination, but precisely in the journey towards it.

That is important. And necessary.

But – and this is crucial – every promise creates expectations.

A transition category raises the expectation that capital will contribute to change. Not just that the narrative sounds logical, but that something is shifting. In investments, in strategy, in behavior.

If a transition category becomes too vague, too broad, or too flexible, it loses its meaning. Then 'transition' becomes a label in name only, without any real substance.

The real test therefore lies not today, but in a few years' time.

When an investor looks back in five years' time, it must be possible to ask: has this contributed to transition?

Not just: *was this justifiable at the time?*

Not just: *did it meet the definitions?*

But: *has anything actually changed here?*

This is where supervision has an important role to play.

That means focusing on three questions.

Firstly: the strategy behind the label. Is there a coherent narrative about how this capital contributes to change?

Secondly: the assumptions underpinning the transition path. Are the plans realistic? Are the preconditions explicitly stated? Or are uncertainties being glossed over?

And thirdly: honesty of communication. About risks. About time. About what is and isn't certain.

Or, to put it more simply: Don't sell a transition if there isn't one.

Put your money where your mouth is

And that brings me to the crux of my message:

The question that ultimately matters is not a simple one. But it is a decisive one.

Will we succeed in mobilizing capital, so that the transition does not merely exist on paper, but becomes visible in real investment decisions, in lending terms and in capital flows?

Because as long as the bulk of capital continues to flow towards what feels familiar and is already more or less 'finished', the transition remains primarily something we talk about. Then it becomes a discussion, not a change.

In that respect, the transition to a sustainable economy can be compared to a major renovation. Everyone agrees that the building needs work. The drawings are ready; the plans have been discussed. But anyone who has ever done a renovation themselves knows: the real moment doesn't come with the plan, but with the first spade in the ground. With the decision to make funds available whilst the end result is not yet visible, and the disruption has already begun.

Transparency helps. It provides clarity and direction.

Regulations are necessary to ensure that everyone is working on the same assumptions.

But without funding, little will ultimately happen. Without parties willing to commit capital whilst the work is still ongoing, good intentions will remain just that: good intentions.

That brings me to a question I would like to put to you directly today.

Where are you putting the brakes on capital? And where do you dare to give it room to grow?

Do you mainly invest in activities that fit neatly within the framework and hold few surprises? Or are you

also prepared to invest in companies and sectors that clearly need to change, with all the uncertainty and challenges that entails?

Because let's be realistic about this. Transition is rarely neat and tidy. There are setbacks. Activities sometimes turn out differently than expected. Technologies prove less scalable than hoped. And yes, not every investment will deliver the return that was calculated in advance.

But that is precisely why the role of the financial sector is so decisive. Because that is where decisions are made about where change happens and where it does not.

At the same time, capital never moves in a vacuum. It operates within agreements, within frameworks, within expectations of what is responsible. And that is precisely where Europe comes into the picture.

In recent years, Europe has made a strong commitment to sustainable financing frameworks. This has not been without debate, and that is only healthy. Rules must remain workable and must not overshoot their mark. But it is hard to deny that something has been built up.

A common language for sustainable finance has emerged. There is now a better understanding of risks and underlying assumptions. And there is a widely shared recognition that capital markets play a key role in economic transition.

Europe is not attempting to take over investment decisions. It does not prescribe business models or designate winners or losers. What it does, however, is create conditions within which markets can function more effectively, and risks can be priced more accurately.

And that brings me back to the ironic observation with which I began.

Sustainability sounds less loud today than it did a few years ago. It is mentioned more cautiously, labelled less exuberantly. But it does not mean that commitment is down.

If ideology does not carry the day, economic necessity will. Because risk, return and transition are increasingly intertwined. And because capital ultimately follows where reality presents itself most starkly.

And that, I think, is the shift that really matters now.

Closing remarks

So, ladies and gentlemen,

The economy in which we operate is undergoing fundamental change. We feel this every day. It is becoming more energy intensive, while at the same time energy is becoming scarcer, more strategic and more geopolitically significant.

Consequently, the way in which we organize, finance and price energy is having an increasingly profound impact on economic growth, stability and competitiveness.

In this context, sustainability is no longer a separate issue that one can choose to address or ignore. It touches the very core of how our economy functions and how futureproof it is.

And within this whole, capital plays a central role. Not because the financial sector has all the answers, but because capital determines what gains scale and what fails to get off the ground. It shapes where momentum builds and where stagnation sets in.

Transparency, frameworks and labels help. They provide insight, guidance and a common language. They help avoid disappointment and distrust — and thus help keep capital flowing. They are a necessary, but not sufficient, condition for real change.

And that brings me to you.

Real change happens when you decide to invest in a company that is credibly transforming, even if the path ahead is far from clear. When you make capital available in a way that enables transition, rather than merely ensuring compliance with the letter of the law. And when you accept that uncertainty is part of progress, rather than something to be avoided.

Ultimately, sustainability is shaped by allocation. By transactions. By choices made precisely because the end point has not yet been determined.

Sustainability may be less hip and happening than it was a few years ago, but it is taken far more seriously. It relies less on conviction and more on necessity. And increasingly, economic rationality and transition are converging, rather than standing in opposition to one another.

That is no small development. It is structural. And it is precisely at that intersection — where necessity and choice meet — that your role is decisive.

I began this speech with a brief reference to the Monty Python song *Always Look on the Bright Side of Life* — a familiar way of making the best of uncertainty.

But the transition will not be decided in debates or by labels. It will be decided around the table: in boardrooms and investment committees, at the moment when the outcome is still uncertain — but action is unavoidable. That is where the real stake lies. And that... is also where the responsibility lies.

Thank you very much.