



Keynote address of Vice-Governor Clara Raposo at the CESG Conference 2026

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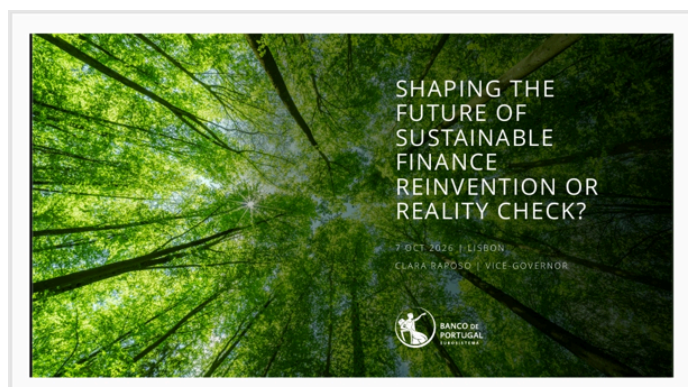
Shaping the Future of Sustainable Finance:

From market growth to economic transformation

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It is a great pleasure to join you today and contribute to this discussion on the future of sustainable finance.

The title of this conference asks whether sustainable finance needs reinvention or a reality check. My answer is that it needs both realism and evolution.

The reality check is that sustainable finance has grown considerably, but unevenly, and its expansion has slowed in some markets. More importantly, **the growth of sustainable financial products has not yet translated fully into the scale of productive investment required.**

The evolution must therefore be towards a more mature model—one that moves beyond an excessive focus on labels and commitments and **concentrates instead on financing credible business transformation, strengthening resilience and supporting long-term prosperity.**

We must also **be realistic about the economic context.** Geopolitical fragmentation has increased. Security and resilience have become central economic concerns. Fiscal space is constrained. Energy costs and industrial competitiveness have moved to the forefront. At the same time, economies must finance several transformations: decarbonisation, defence, digitalisation, demographic adaptation, and infrastructure.

The investment needs are considerable, but so too are the obstacles—and  competing demands for funds.

Against this background, I would like to make three main points.

First, sustainable finance has developed into an established part of global financial markets, with Europe and the euro playing a leading role.

Second, Europe has not yet fully connected its substantial pool of savings and sustainable financial assets with the investment needs of its firms.

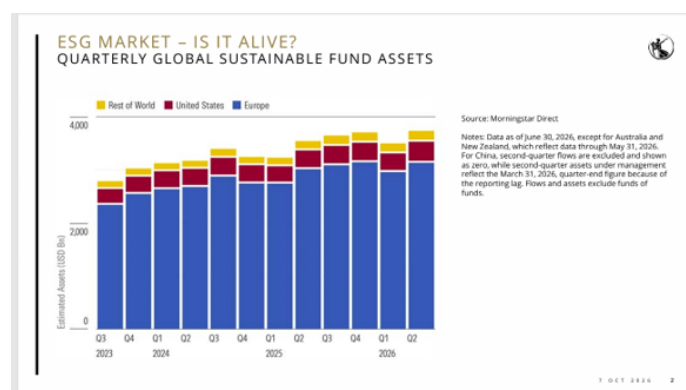
Third, the next phase of sustainable finance must be judged less by market volumes and more by its contribution to investment, productivity, resilience and economic transformation.

Let me begin with the market itself.

1. Sustainable finance is entrenched in global financial markets

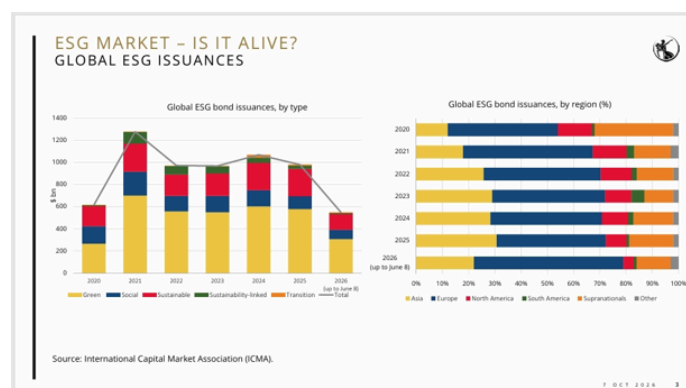
Over the past two decades, sustainable finance has moved from a niche segment towards the mainstream of global capital allocation, even if it still represents a modest share of total financial assets.

Three developments illustrate this transformation.



First, sustainable investment funds have expanded markedly. Global sustainable fund assets reached approximately USD 3.7 trillion in the second quarter of 2026, compared with only a few hundred billion dollars around 15 years ago. Europe accounts for the overwhelming majority of these assets.

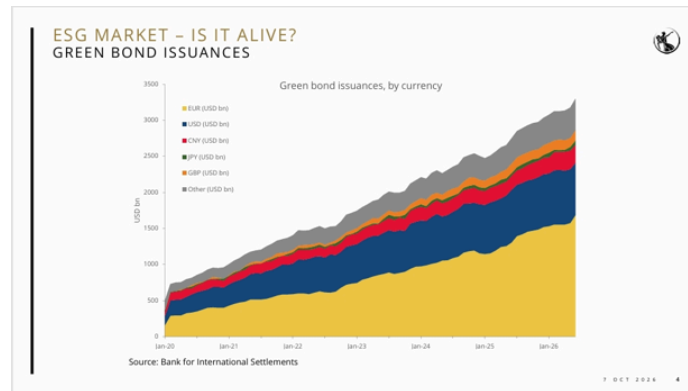
This has not been a continuous or uniform expansion. In recent years, global flows have been more volatile, and some markets have experienced sustained outflows. In the United States, for example, sustainable funds returned to positive net inflows in the second quarter of 2026, after fourteen consecutive quarters of outflows. Nevertheless, **the longer-term development remains clear: sustainable investment has become a significant and durable part of the asset-management industry.**



Second, sustainable bond markets have followed a similar trajectory. Green, social, sustainability and sustainability-linked bonds have developed from virtually non-existent levels at the beginning of the 2010s into an established segment of global capital markets.

Issuance growth has moderated, but volumes remain historically high. In the euro area, the share of sustainable debt in total debt issuance and holdings has risen materially since 2021. Green bonds remain the largest component, alongside social, sustainability and sustainability-linked instruments. Also, the European Commission is currently the world's largest supranational green

bond issuer through its NextGenerationEU programme. Cumulative issuance has exceeded €78.5 billion, making the EU a leading participant in the global green bond market.



Third, the euro has emerged as the leading currency in sustainable debt markets. More than half of global green bond issuance is now denominated in euros, while the relative importance of the US dollar has declined over recent years.

Europe has therefore become the centre of the sustainable-finance market, and the euro its leading currency.

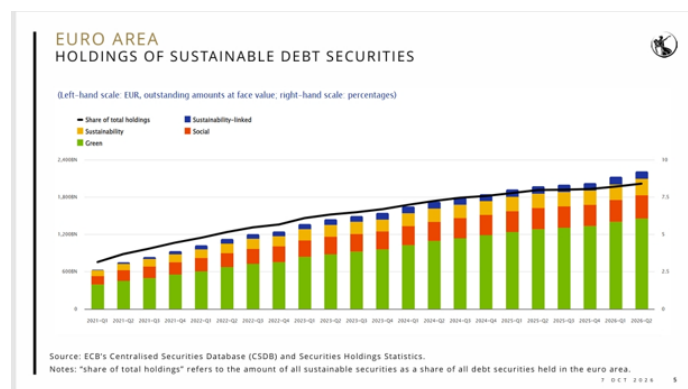
This is an important achievement.

A deep and credible sustainable-finance market broadens Europe's financing capacity, supports investment in its own currency and can reinforce the international role of the euro.

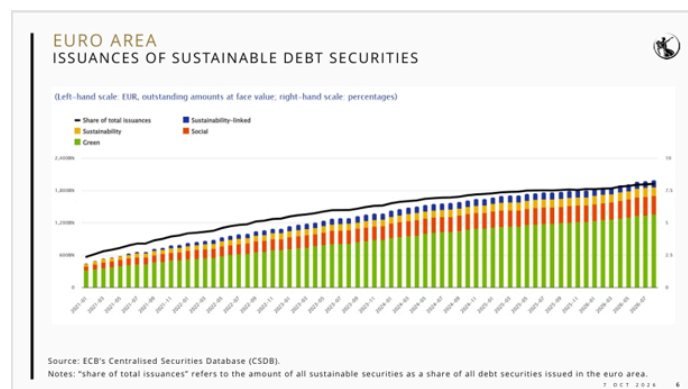
But leadership also brings responsibility. And this is where the picture becomes less comfortable.

Throughout the rest of my speech, my examples will refer to the green segment of the ESG market.

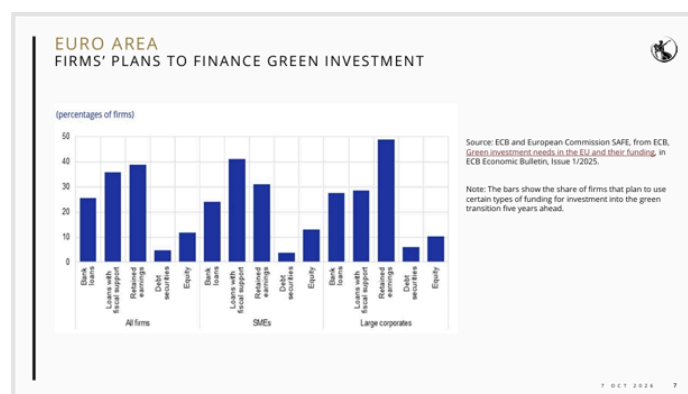
Europe is the most dynamic corner of the market



Europe has the world's largest sustainable fund market. Euro-area sustainable debt issuance has grown substantially. And the euro is the leading currency in green bond issuance.



Yet many European firms do not appear to regard capital markets as their primary source of financing for the green transition.

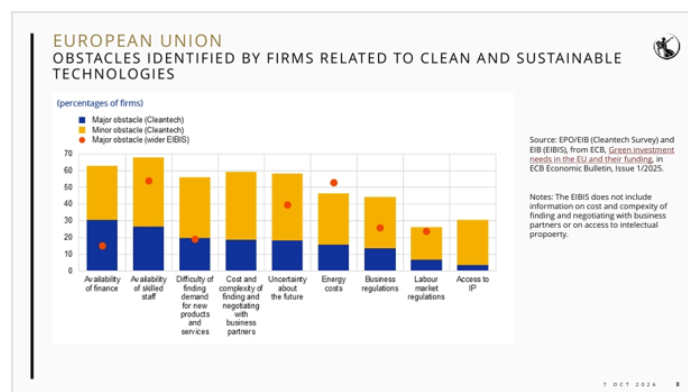


Evidence from the Survey on the Access to Finance of Enterprises, conducted by the ECB and the European Commission, indicates that firms planning green investment expect to rely mainly on retained earnings, subsidised loans and conventional bank loans. [Across all firms, approximately 38% expected to use retained earnings, around 35% subsidised loans and approximately 25% conventional bank loans. The pattern is similar for SMEs and, although large corporations make greater use of bank and subsidised lending, planned reliance on marketable debt and equity remains comparatively limited.]

Part of the explanation may lie in the structure of the European economy.

Europe remains largely bank-based, and many transition investments are undertaken by small and medium-sized enterprises. Individual projects may be too small, too specialised or too complex to access capital markets directly. Banks will therefore remain essential.

But bank lending and retained earnings alone will not be sufficient to finance the scale and diversity of investment Europe requires.

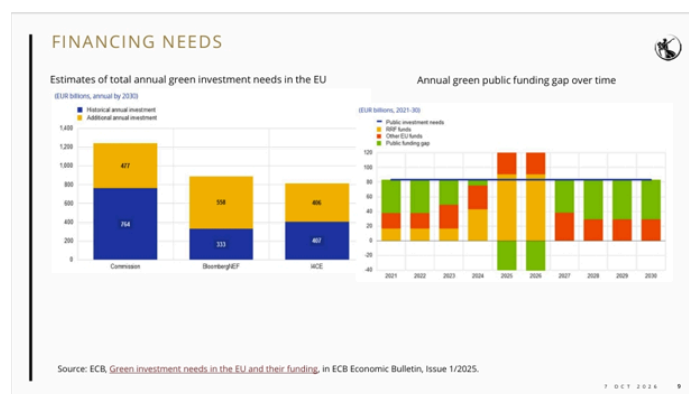


Survey evidence also suggests that access to finance is a particularly important constraint for firms developing clean and sustainable technologies. The proportion of firms identifying finance as an obstacle is considerably higher in clean technology than among firms as a whole.

This should give us pause.

Different investments require different forms of finance, as this audience of financial analysts well know. Mature projects may be financed through debt. New technologies often need equity and patient risk capital. Infrastructure may require a combination of public resources, bank lending, guarantees and capital-market finance. Smaller investments may need to be aggregated before they become investable at scale.

This diversity matters because Europe's additional investment needs are considerable. Estimates vary according to their scope and assumptions, but they consistently point to the need for a substantial increase in annual investment.



Public support will remain indispensable, particularly for infrastructure, early-stage innovation and projects with significant positive spillovers. But investment does not necessarily mean public investment.

Public budgets already face considerable pressures—from ageing populations and social expenditure to defence and higher debt-servicing costs. Public resources will often be most effective when they play a catalytic role: correcting market failures, reducing uncertainty, supporting essential infrastructure, absorbing specific risks and mobilising private investment.

The fundamental challenge is therefore to connect Europe's savings more effectively with productive investment opportunities.

2. From fragmented markets to productive transformation

This is where the agenda for deeper and more integrated European capital markets becomes essential.

Europe has a large pool of household savings, but much of it is held in low-risk and relatively liquid instruments. At the same time, European firms—particularly innovative and growing firms—often struggle to obtain *that* patient equity and *that* risk-bearing capital.

Nationally fragmented markets restrict the ability of capital to move towards the most productive opportunities across the Union. Differences in market infrastructure, insolvency frameworks, taxation, energy grids, supervision and investment practices continue to limit scale, liquidity and cross-border participation. The Savings and Investments Union must help address this disconnect.

Its central economic purpose should be to give European savers a wider range of suitable long-term investment opportunities and to provide European businesses with a broader and deeper financing base.

For sustainable finance, this matters greatly.

More integrated capital markets would allow households, sustainable investment funds, insurers, pension funds and other long-term investors to finance projects across Europe, rather than being constrained by national markets. They could support larger and more liquid issuance, facilitate cross-border risk-sharing and make it easier to aggregate smaller projects into portfolios of sufficient scale for institutional investors.

Greater integration could also improve access to venture capital, equity, project finance, securitisation and transition bonds. This is particularly important for innovative technologies and for firms whose transformation requires substantial upfront investment, but whose returns will materialise only over time.

Europe must also avoid designing sustainable finance as a market only for activities that are already green.

A substantial part of the transition will occur within existing firms, including businesses in energy-intensive sectors. These firms need finance to replace equipment, modernise production processes, improve energy efficiency and adopt cleaner technologies.

The future of sustainable finance may therefore depend less on identifying what is already sustainable and more on financing credible transitions.

This does not mean financing every transition claim nor become complacent with greenwashing. It **means distinguishing realistic investment strategies from vague commitments.**

A credible transition plan should be part of corporate strategy. It should identify the capital expenditure required, the relevant technologies, financing needs, dependencies and measurable milestones. Analysts must then assess both the sustainability ambition and the economic and financial soundness of the plan.

As this audience well knows, Sustainability analysis should complement rigorous financial analysis, not replace it.

The same principle applies to disclosure: information is essential, but it should inform decisions rather than become an end in itself. Disclosure requirements should be reliable, proportionate and focused on information that owners, lenders and supervisors can use effectively.

3. Sustainable finance must create economic value

For sustainable finance to endure, it must generate positive economic and financial returns.

Sustainable investment must contribute to productivity, competitiveness or resilience. Where the social return exceeds the private return, public intervention may be justified—but it should be designed, as far as possible, to crowd in private investment rather than replace it.

But there are good reasons to believe that sustainable investment can support economic performance.

Lower energy costs can improve profitability and stimulate investment. Analysis in the European Investment Bank's latest Investment Report suggests that a decline in energy costs can have persistent positive effects on manufacturing investment and profits.

Investment in renewable energy, grids, storage, energy efficiency and cleaner technologies can reduce exposure to volatile imported fossil-fuel prices. Adaptation can protect productive capital and infrastructure. Innovation can create new markets and strengthen Europe's industrial capabilities.

The economic return must also be assessed against the cost of inaction.

Weather- and climate-related extremes have already generated substantial economic losses in Europe. They damage physical capital and infrastructure, disrupt supply chains and agricultural production, raise insurance costs, place pressure on public finances and can even negatively impact inflation.

The climate scenarios developed by the Network for Greening the Financial System show that delayed-transition and current-policy pathways are associated with considerably larger long-term GDP losses than an orderly transition towards net zero.

The precise estimates are scenario-dependent and should not be treated as forecasts. But their economic direction is clear: postponing adjustment increases exposure to physical damage and stranded assets, and may ultimately require a more abrupt, disruptive and costly adjustment.

The relevant comparison is therefore not between transition investment and a costless *status quo*. It is between investment today and the potentially greater economic costs of delay.

A project may create considerable social value by avoiding future losses. But mobilising private capital at scale also requires investors and firms to capture an appropriate share of that value. This is why credible policies, suitable risk-sharing instruments and long-term investors are so important.

Sustainable finance has already changed finance.

It has influenced investment mandates, risk management, corporate governance and financial supervision. It has placed climate-related risks on the agendas of boards, investors and regulators. It has expanded corporate reporting and created a more structured language for assessing sustainability-related risks and activities.

These are meaningful achievements.

But the next phase must be about credibility and outcomes.

Success should no longer be measured primarily by the number of labelled products, the volume of sustainable assets or the quantity of disclosures produced.

It should be measured by whether sustainable finance supports productive investment, helps firms adopt new technologies, strengthens competitiveness and resilience, and contributes to sustainable long-term growth.

Conclusion

Let me conclude.

Sustainable finance is not disappearing. Its growth has become more uneven, but **sustainable funds and debt instruments are now an established part of global finance. Europe has developed the world's largest sustainable-investment market, and the euro has become the leading currency in green bond issuance.**

These achievements should not be discounted.

But the next phase will be judged by a different standard, by whether sustainable finance supports productive investment, innovation, resilience and long-term growth.

Europe now needs to connect its considerable savings more effectively with its investment needs. The Savings and Investments Union can be an important part of that effort, by supporting deeper capital markets, broader financing options and greater cross-border investment.

The challenge is not simply to expand sustainable finance. It is to make it more effective: to finance credible transitions; mobilise private capital alongside well-targeted public intervention; support competitiveness alongside sustainability; and generate the economic returns that make transformation both feasible and durable.

The future of sustainable finance will not ultimately be determined by how many sustainable financial products we create. It will be determined by the economic transformation that finance helps to achieve.

Conferences such as this one are essential to turning that ambition into collective action.

For this higher purpose, we need professionals, such as financial analysts, with the knowledge and the vision to correctly value and price this transformation.

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VICE-GOVERNADORA

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