

## Sustainability: Will the hype fade?

Moving towards a more sustainable world requires three key forces to work together simultaneously; innovation, societal preferences and economics. We think this is already happening and believe sustainability is here to stay

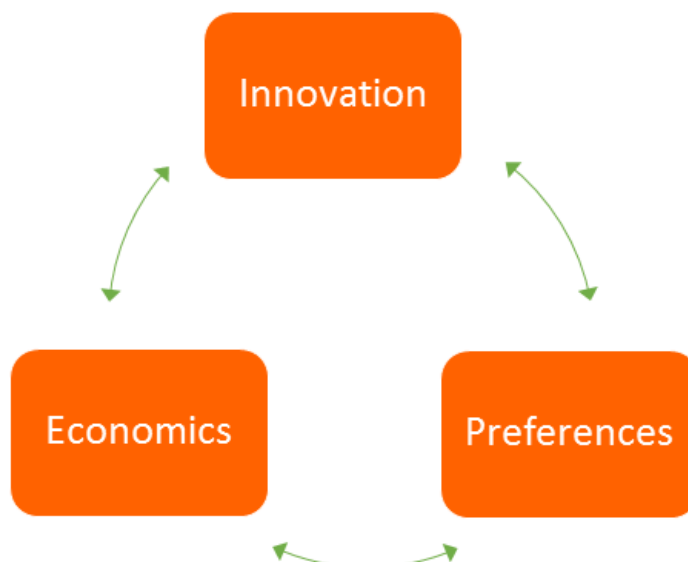


### Technology alone is not enough

Just because something is technologically possible does not mean that it will be achieved. Consider the history of the electric car. At the end of the 19th century, electric taxis were already operating [in London](#) and New York. Yet when the internal combustion engine came onto the market, this mode of transport died a silent death. The electric car was much more expensive compared to a car with a combustion engine and on top of that, people were unaware of the major environmental problems that the combustion engine brought with it.

So technological feasibility, by itself, is not sufficient to evolve towards a sustainable world. Two other drivers, consumer preferences and profitability (economics) must also apply. And we argue that these are already in place.

[What is sustainability and what does it mean for our investments?](#)



Source: ING Economic Research

[How to create a sustainable investment portfolio](#)

## Society and Economics

### Innovation

Technological innovation can help us evolve towards a more sustainable world and today we see many new promising developments:

- 3D printing makes it possible to limit material use and produces less waste.
- The Internet of Things makes it possible for machines to inform humans if there is a problem with the machine. In that way, it becomes easier to maintain and repair the machine, which allows us to use it for longer.
- Improvements in electric car technology will also help the world to become more sustainable. Due to innovation, the price of the lithium-ion battery has declined sharply, [by a whopping 79% between 2010 and 2017, according to Bloomberg New Energy](#) Furthermore, new technology could help to limit the need of cobalt in batteries. Today, cobalt mining does not happen in a sustainable way and so limiting its use in batteries would make the electric car even more sustainable.

### Preferences in society

Citizens are increasingly demanding sustainable goods and services. Politicians are also understanding the importance and are taking measures to push consumers and companies to choose sustainable goods and services. The existence of the Sustainable Development Goals agreed upon by the United Nations in 2015 is good example of this.

People are also increasingly confronted with the negative effects of our current production model. The effect of CO<sub>2</sub> emissions is one of them. Global warming increases the frequency of natural disasters, such as heat waves and hurricanes. It also causes additional environmental problems such as the acidification of the oceans, which negatively affects fish stocks. And because global warming results in rising sea levels, it also leads to waves of human migration.

### Economics

The growing awareness in society that a more sustainable world is necessary and that innovation can provide solutions has forced companies to take notice.

Businesses are experimenting with new business models that make the sustainable production process profitable. The production model where companies offer a service instead of a product, for example offering mobility instead of selling cars, is a good example. In this business model, the consumer does not own the product and therefore only has to pay for the service that delivers the goods. As the ownership of the product remains with the producer, he has every interest in maximising the lifespan of the product and taking into account what happens at the end of the life cycle. This leads to a smaller environmental footprint.

Finance can also push companies towards more sustainable business models. If financial markets worry about the possibility that unsustainable businesses or products might become illegal in the future or shunned by consumers, financing costs will go up. This gives businesses an incentive to pursue sustainable solutions. The strong expansion of 'green loans' proves that finance is increasingly supporting a new sustainable growth model.

With all three drivers of sustainability at work simultaneously today, we believe that the trend of sustainability is here to stay.

[Is sustainability good for my wallet?](#)