Source: UBS

Energy security amid geopolitical tensions

8 May 2026, 11:56 UTC, written by Michael Bolliger

Geopolitical tensions require a rethink of the energy transition. An optimized energy portfolio balances security of supply, affordability, and cleanliness to ensure economies remain competitive in the future—without jeopardizing the AI evolution. This creates investment opportunities for investors.

So far, the global economy has weathered the crisis in the Middle East relatively well—at least if one trusts the current economic indicators. The reporting season also offers little cause for concern: Reported company figures are solid and, on average, exceed analysts' expectations.

So, much ado about nothing? Hardly. Although the conflict has so far had little macroeconomic impact, the risk of an economic slowdown increases the longer the conflict lasts. Strategic oil reserves have already fallen sharply in many places, and if oil exports through the Strait of Hormuz do not recover soon, supply reductions are likely in the foreseeable future. Europe, Switzerland's most important trading partner, is particularly exposed. Europe is comparatively heavily dependent on energy imports and has already lost an important supplier due to sanctions against Russia.

The sometimes heated political debates surrounding the conflict in Iran also show how quickly energy can become a bottleneck. Ensuring access to energy affects entire countries, and thus also companies, households, and investors. That's why "power and resources" is more than a buzzword: It's about strategic investments that can guarantee future supply security (keyword: supply security), ensure energy remains affordable (affordability), and drive the transition from fossil fuels to renewable, clean energy sources (cleanliness).

Many of the most exciting investment opportunities are therefore not just in fossil fuels or solar panels, but in all those companies that help countries optimize their mix of supply security, affordability, and cleanliness. This requires a variety of technologies such as grid technology, transformers, switchgear, cables, power electronics, measurement and control technology, etc. These companies provide the infrastructure that allows entire countries and regions to feed in, distribute, and store more renewable energy, reduce energy shortages and outage risks, and even lower energy prices. Those who make the energy market more robust, efficient, and digital will also help make the domestic economy more competitive.

And with artificial intelligence, demand for electricity is likely to rise even further. Data centers need energy—not someday, but now: for servers, cooling, and high-performance network connections. The International Energy Agency (IEA) expects that global electricity demand from data centers could rise to around 945 terawatt-hours by 2030, which would mean more than double today's level. Energy supply and digital infrastructure can only grow together, further underscoring the importance of sustainable and comprehensive expansion of energy infrastructure.

What does this mean for investors? We do not see power and resources as a short-term hype—it is a strategic topic with several drivers: geopolitics and supply security, the shift to cleaner, more reliable, and efficient renewable energy, and the energy hunger of digitalization, automation, and electrification. For investors in Switzerland, a diversified positioning along the value chain (infrastructure, utilities, selected commodities) is our preferred way to participate. However, there will also be fluctuations in this area—which is why, in our view, quality, valuation, and a long investment horizon matter all the more.

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