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ENVIRONMENT

Rumors of Clean Tech's Demise Have Been Greatly Exaggerated

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Reporter

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Suddenly is seems as though everyone is talking about <u>clean tech's demise</u>. It's true that the signs have not augured well: The federal government made a bad bet <u>on Solyndra</u>. Policies supporting wind and solar <u>are expiring</u>. Venture capital funding for clean tech <u>went down</u> in 2011. Last month, *Wired* published <u>an article</u> claiming that "the clean-tech bubble has burst." The argument was that antsy venture capitalists had tried to import the get-rich-quick ethos of the internet to clean tech,

where investments take longer to pay off. That didn't work. Therefore, clean tech is screwed.

The *Wired* article was correct in its conclusion that venture capitalists are not going to build the wind and solar projects that will wean America off of coal and oil. That's not their job, and there are signs that more patient investors—banks, for instance—are becoming more comfortable with funding those projects. But risk-loving venture capitalists are still interested in clean tech projects. While their investments in clean tech did drop last year, it was a mere 4.5 percent decrease from 2010 funding. Meanwhile, investment levels are up 29 percent over dismal 2009 recession levels, and up 16 percent over healthier 2008 levels.

The largest portion of that money is still going to energy generation. But in at least one corner of the clean tech world, the focus is shifting towards faster-moving projects. Greenstart, the clean tech startup accelerator, just announced its second round of companies and a new focus on projects with some IT component—more traditionally fertile ground for venture capital.

When Greenstart launched last fall, its founders knew they didn't want to focus on cumbersome infrastructure projects but on "fast clean tech." For the first round of companies accepted into the program, the Greenstart team chose a biodiesel project, a smart windows company, an Internet-based consumer energy portal, and a company that made smart plugs. But only the latter two would be admitted under the accelerator's new, software-focused mandate.

That new focus means the companies Greenstart funds will be working on problems like energy efficiency and "how to move energy around," says founder Mitch Lowe. The range of possibilities is still wide—companies might look at anything from how electric vehicle batteries interface with the grid to how a building can achieve maximum energy efficiency—but every project should have some software component.

The idea to adopt this focus "kept getting reinforced in conversations with investors," Lowe says. "It was where the investors were saying: 'This is what the most interesting to us, what has the two-to-five-year time frame and the most potential for profit.'"

The incubator will also benefit from the fact that the broader venture capital world has more money to spend than clean tech venture capitalists. "Now we open the world to our startups, not just to clean tech investors," Lowe says. "We probably quadruple the number of interested investors in our companies."
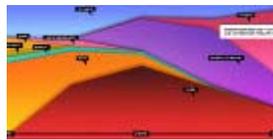
Efficiency and connectivity problems are going to be important in moving clean tech forward. But that's far from the only work that needs to be done. For batteries to communicate with energy sources and the grid, for instance, they must be efficient enough and cheap enough to be commercially viable. Venture capital isn't going to move the world past coal and energy on its own. Government has a role to play, as do other investors. But there's still plenty of money betting on cutting-edge clean technology, of one sort or another.

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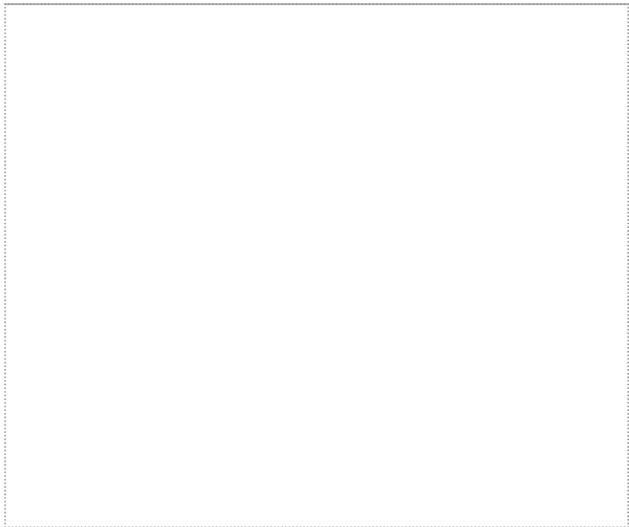
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