

Huge drop in clean-tech venture funding

May 13 2009, By Tracy Seipel

Investments in clean-tech startups plummeted in the first quarter of 2009 compared with recent quarters, according to a report issued this week by Ernst & Young.

After a record year in 2008, U.S. venture capital funding in clean tech during the first quarter -- \$277 million raised in 24 deals -- was down 63 percent in capital and 48 percent in deals compared with the same period in 2008.

"The economy has taken a significant punch in the stomach in the last nine months," said Erik Straser, who leads the clean-tech investment team at Mohr Davidow Ventures in Menlo Park, Calif. "Why would this be any different?"

There were signs of hope.

"Despite the intense challenges of raising capital during the past four months, government initiatives and corporate commitments are points of light for clean-tech companies," said Joseph A. Muscat, Americas Director of Cleantech at Ernst & Young.

Among the report's highlights:

The energy storage segment more than doubled the \$50 million raised in the first quarter of 2008 to \$114 million in first quarter 2009, making it the largest category of clean-tech investment for the period.

Within the energy storage segment, battery-storage companies raised \$69 million, a 37 percent jump from the same period in 2008.

Fuel cell companies raised \$45 million, compared with no investment in the same period in 2008.

Energy/electricity generation, the quarter's next-largest investment category, raised \$56 million in the first quarter, down 73 percent from the same period in 2008. Solar companies accounted for the majority of activity in this category, raising \$48 million.

Notably, some companies made strides during the challenging period, even as local solar companies SunPower and Akeena Solar posted disappointing first-quarter earnings.

Google and Google.org announced a prototype software of Google PowerMeter, a consumer home smart grid application targeted for completion by the end of 2009.

Meanwhile, Royal Dutch Shell said it will increase its stake in Redwood City, Calif.,-based biofuel company Codexis.

And a Department of Energy grant was recently awarded to Fremont, Calif.,-based Solyndra, a manufacturer of cylindrical photovoltaic systems that plans to use the \$535 million loan to expand its solar panel manufacturing capacity in California.

Said Muscat: "This economic climate demands that clean-tech companies think more creatively about resources and partnerships, as government becomes an increasingly important constituent in the clean-tech market."

Ernst & Young's figures show a similar trend to those released last

month by the Cleantech Group, a San Francisco researcher that uses a broader definition of clean tech that includes more companies. For the first quarter, the Cleantech Group reported \$650.5 million in venture capital raised by U.S.-based clean-tech companies, down 44 percent from the \$1.15 billion raised in the fourth quarter of 2008.

"Most of the things we track were down, and down significantly," said Brian Fan, senior director of research at the Cleantech Group. Among segments that did well were electric vehicles, batteries (particularly lithium-ion) and fuel cells.

*(c) 2009, San Jose Mercury News (San Jose, Calif.).
Visit Mercury Center, the World Wide Web site of the Mercury News, at www.bayarea.com/mld/mercurynews
Distributed by McClatchy-Tribune Information Services.*

Citation: Huge drop in clean-tech venture funding (2009, May 13) retrieved 18 April 2024 from <https://phys.org/news/2009-05-huge-clean-tech-venture-funding.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--