

The Cleantech Cliff: Global venture capital investment plunged 33 percent in 2012

January 7 2013, by Dana Hull

You could call it the cleantech cliff: Global clean-technology venture investment plunged to \$6.46 billion in 2012, down 33 percent from the \$9.61 billion invested a year ago, according to San Francisco-based research and consulting firm Cleantech Group.

"2012 was a difficult year for the sector," Sheeraz Haji, CEO of the Cleantech Group, said during a conference call. "Anyway you cut it, there's been a significant drop-off."

Haji cited several reasons for investor skittishness. The low price of natural gas has made it harder for renewable energy to compete on cost. [Venture capitalists](#) are shying away from capital-intensive deals after seeing companies like Santa Clara-based Misasole sold at fire sale prices. And global economic uncertainty took a toll: Several privately backed cleantech companies, including Oakland's BrightSource Energy, were forced to shelve their IPO plans and raise additional funds from existing investors.

The one bright spot belonged to SolarCity, a San Mateo-based solar financier and installer that had a successful IPO Dec. 13. SolarCity slashed its share price but ultimately raised \$92 million.

"It's been a very difficult IPO environment," Haji said. "SolarCity was a big success, and that was the exception."

Cleantech includes a variety of technologies and sectors, including

biofuels, [electric vehicles](#), the smart grid, solar and [wastewater treatment](#). The number of venture deals recorded in 2012 was 704, 15 percent lower than the 829 deals tracked in 2011. The deals mostly were smaller, follow-on rounds of funding. Sixty percent were Series B or later rounds, accounting for 90 percent (\$5.83 billion) of all money invested during the year.

"The silver lining is that by pulling back, VCs are getting better at investing in the sectors of cleantech where it makes sense," said Alex Trembath, a policy analyst in the Energy and Climate Program at the Oakland-based Breakthrough Institute. "The crash we're seeing is VC culture realizing that."

In 2008, the solar industry accounted for 60 percent of all cleantech venture deals. Six years later, it was just 12 percent of the total.

"It's quite difficult to raise money for a solar startup in this climate," Haji said.

The leading cleantech sector in 2012 by amount invested was biofuels and biochemicals (\$952 million), followed by transportation (\$927 million) and energy efficiency (\$907 million).

San Diego-based Sapphire Energy, a developer of algae biofuels, raised \$144 million from investors that include corporations like Monsanto. Fisker Automotive, which has struggled to manufacture its luxury electric car, raised an additional \$381 million in VC funding during the year.

The most active global cleantech investors were well-known Silicon Valley firms like Kleiner Perkins Caufield & Byers, Draper Fisher Jurvetson, and Khosla Ventures. But large global corporations like GE and Siemens are increasingly active in the cleantech space.

The role of corporations will be key as federal funding for clean technologies has largely ground to a halt. In 2009, federal spending on renewable sources of energy reached an all-time high of \$44 billion as one-time stimulus funding from the American Recovery and Reinvestment Act pumped additional millions of dollars into clean technologies. But the stimulus funding has wound down.

"When times are tough, corporate investors are a sign of insurance," Haji said. "When BrightSource looked to go public and times got tough, they were able to raise \$84 million, a monster private round."

MidAmerican Solar, a subsidiary of billionaire investor Warren Buffett's Berkshire Hathaway, stepped in and bought San Jose-based SunPower's Antelope Valley solar farm, currently under development in Southern California. The deal, worth an estimated \$2.5 billion, sent SunPower's stock soaring 48 percent Thursday to close at \$9.07. MidAmerican Solar also owns the 550-megawatt Topaz Solar Farms project in San Luis Obispo County.

Looking forward to 2013, Haji predicts growing corporate interest in the water space, noting that desalination startup NanoH2O raised \$40 million this year. He also predicts that the "clean Web," which refers to startups that use mobile technology to enable sharing of resources like cars, remain hot.

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