

# **Dismantling Barriers for Climate-Friendly PE/VC Investments**

**Smart money for green/clean technologies: a  
Challenge for New VC funds and Entrepreneurs**

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# Issues

- German paradox
  - RE power generation #1 worldwide
  - Countless high quality research institutes
  - But who is financing cleantech innovation?
- Equity Capital food chain
  - Access to equity for entrepreneurs & early stage clean technologies?
  - Equity gap/valley of death!
- Access to specialist VCs
  - Few dedicated pure-play cleantech VCs in Europe
  - None in Germany!

# Issues - 2

- Cleantech Venture Capital
  - New sector
  - New teams
  - Fundraising
    - Balanced fund > € 40 Mio. => institutional investor funding needed
- Institutional Investors
  - Asset allocation to PE/VC ... max 5%
  - Investment criteria ...no 1st time funds!
  - Sustainability? But not for PE/VC asset class!

# Issues - 3

- Myths

- Capital intensity?
- Rate of innovation?
- Oligopoly?
- Exit channels?

- Size of market

- Over € 300 billion in EU for energy generation
- Cake is large enough for emerging businesses!

# Solutions - 1

- Role of government
  - Tax incentives
    - VCT in UK, FCPR in F
  - Re-allocation of R&D spending
    - x% for commercialisation
  - Recycling EU-ETS/CO2 revenue
    - Preferential credits for clean energy generation
    - Allocations to cleantech Venture Capital (via funds or guarantee programmes)
  - Impulse for new cleantech VC funds
    - Anchor investor role (e.g. € 10 Mio. per fund)
    - “Cleantech Gruenderfonds” (analogous to HTGF)

# Solutions - 2

- Macroeconomics!
  - National policy required due to vital issues
    - Energy autonomy
    - Climate change
  - “Liberal” Europeans lead the way:
    - Carbon Trust (UK government initiated fund)
      - ✓ € 100 Mio. per annum for cleantech investments
    - Caisse des Depots & Consignations (F government Fund of Fund programme)
      - ✓ Anchor investments in 2 new cleantech VC funds
  - Germany: pioneer in cleantech/renewable energy 1985-2005
    - € millions in R&D
    - Fruits for whom 2005-2025? ... US cleantech Venture Capitalists??

# Contact

## For further reading:

- “Socially Responsible Investment und umwelt-orientiertes Venture Capital”, Working Paper des Institute of Management Berlin 2007 [www.mba-berlin.de/forschung](http://www.mba-berlin.de/forschung)
- “Venture Capital for Sustainability”, Eurosif 2007 [www.eurosif.org](http://www.eurosif.org)

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