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November 15, 2009

Cleantech: Still Attractive and Attracting Investment

By Lee Rand, partner at Sun Mountain Capital

Supporting low-impact forms of energy generation — cleantech, as it's called — has been a hot topic politically and socially and has been a subject of mainstream debate and politics for the past 10 years. As a result of consumer, regulatory and private interest in the cleantech sector, it has also been a hot topic for investing, and venture-capital investment in cleantech increased exponentially in the past decade. In 2001, venture capitalists invested roughly \$507 million in clean-technology companies. By 2008, annual investment in the sector was \$8.4 billion.

Where did it go?

Much of the early investment in cleantech was done in the form of large deals with relatively small equity investments alongside massive debt-capital structures to help finance major infrastructure projects in solar power, wind power and smart-grid energy distribution. At first it appeared as though investors' bets on cleantech would pay off: The price of oil skyrocketed to nearly \$150 per barrel over a six-month period in 2008, and equity indexes that tracked the performance of public cleantech companies became extremely popular among hedge fund investors.

The 2008 election of Barack Obama and a Democratic majority in both the House and Senate was expected to lift the industry, as a climate-conscious Democratic administration would make significant investments alongside private investors and create incentives to invest more capital in cleantech, thereby increasing company valuations.

The hopeful landscape changed in late 2008 as the world economy plunged into recession. The credit crunch cut the flow of capital to companies that wholly depended on debt to finance operations and build new capacity. The price of oil suddenly plummeted toward \$30, and that made early generations of green technologies look far less economical than they had been just months earlier. The rate of venture capital investing followed the market down, and investments in 2009 will likely be a fraction of the amount invested in 2008.

That said, it's too soon to proclaim the death of cleantech. Even though many of the large-scale infrastructure investments made over the past few years might not generate a return on investment right away, the need — and financial return potential — remains for these environmentally wise technologies. The supply of crude oil is finite and the price of oil is

expected to continue climbing. Most people accept that climate change is happening and that many of the Earth's resources are limited.

Cleantech 2.0

Economic cycles and hot investment areas wax and wane, but they don't eliminate the need and market demand for environmentally sound energy solutions. That understanding has bred a new generation of cleantech investing often called cleantech 2.0.

The focus on infrastructure construction has given way to a focus on enabling technologies, such as the design of better optical microstructures, production of high purity silicon and the development of new thermal technologies, all of which increase the efficiency of existing infrastructure. These "component" technologies require much less capital investment than major infrastructure projects and do not require the same level of debt financing to get off the ground.

Unlike the old world of Web and networking technology startups, there is no Silicon Valley of cleantech. New Mexico has a history of traditional energy industries and infrastructure, outstanding technology assets in its national laboratories, strong government support and an affordable and business-friendly environment. As the flow of capital into cleantech companies picks up again, New Mexico is in a good position to attract investment dollars.

Learn more about the future of cleantech and other technologies at a talk by Dr. Lowell Catlett, Regent's Professor, Dean and Chief Administrative Officer at New Mexico State University's College of Agricultural, Consumer and Environmental Sciences. The event, sponsored by Coronado Ventures Forum, takes place Thursday, November 19, 2009 from 6:00 pm to 8:00 pm in the Jackson Student Center (Building 87) on the University of New Mexico campus in Albuquerque. For more information, visit www.cvf-nm.org.

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