

# Clean Money

Ira Ehrenpreis of Technology Partners shows that clean can equal green.

In nearly 10 years as a venture capitalist with Technology Partners, Ira Ehrenpreis has seen the ups and downs of “clean” technology. During his time at the Palo Alto, California-based firm, the sector has gained momentum in the venture community. Like many VCs, Mr. Ehrenpreis believes cleantech deserves more attention, and even a good chunk of the well-known \$53.6-billion VC “overhang”—un-invested money left over from the dot-com boom and subsequent bust.

Mr. Ehrenpreis heads the company’s cleantech investment practice, which he’s done since the late 1990s. He also serves as the chairman of the Cleantech Venture Network Advisory Board, sits on the board of the China-U.S. Energy Efficiency Alliance, and co-chairs the Young Venture Capital Association and the VCNetwork, two non-profit organizations comprised of more than 1,000 venture capitalists.

Unlike VCs with cleantech specialty firms, Mr. Ehrenpreis doesn’t *have* to invest in cleantech. Among others, he has put his money on Accelergy, which makes equipment that can manufacture and test thousands of materials samples at hyperpace; water sensor company Sensicore; and fuel cell maker PolyFuel.

*Red Herring* recently asked Mr. Ehrenpreis to explain his interest in the sector, and why investors have yet to cash in big on cleantech.

**Q: How do you define ‘cleantech’?**

**A:** When many people think of cleantech, they think of renewable energy technologies such as fuel cells and solar. But if you look at some of our portfolio companies, you get a sense that it’s something very different—we haven’t made a solar investment. Energytech is just one of the

three pillars of cleantech: energytech, watertech, and materials science.

**Q: Cleantech proponents have promoted the space as the new biotech. Why now?**

**A:** For years, people have been talking about how solar is going to become the next way we get our energy. But cleantech still has a very low penetration rate. There have been important developments in technologies like solar. And in the early 1990s, it was environmental investing. Now, it’s a different sector with a different filter of analysis for the companies that get investment.

**Q: Why haven’t the returns been big for cleantech?**

**A:** One of the key reasons why cleantech investments have historically failed is the issue of market timing. There have been many good technologies that came before their time in this sector. Many companies were trying to make a product development timeline meet a market development timeline. Well, that is exponential risk. We’re going for technologies that have markets today.

**Q: What are the most compelling reasons to invest in this relatively small sector of venture capital?**

**A:** Cleantech is still one of the few underserved areas in the venture capital asset class. If you look at where venture capital dollars have flowed, it’s just a small concentration of sectors that have captured the lion’s share.



Technology Partners venture capitalist Ira Ehrenpreis

**Q: But that’s true of several different VC areas. What is so special about the opportunities in cleantech?**

**A:** One of the first tenets of venture investing is to find big markets. Many areas of IT have become increasingly commoditized because of the number of companies going after opportunities, following increasingly narrow niches. But in cleantech, there are huge markets left to be tackled. If you look at the public companies with an interest in cleantech, they are multibillion-dollar companies: all the major oil and gas companies, all the major utilities, all the major materials companies.

**Q: What role does new technology innovation from startups play in this sector now?**

**A:** This is an under-innovated sector. If you look at the percentage of R&D that many of these energy companies spend, it’s tiny. Microsoft spent about \$6 billion last year alone on R&D. Big energy and utility companies spent about a tenth of that, on approximately the same revenue base. Small companies come in and say they’re going after innovative solutions, and they’re not competing with a hundred other venture-backed startups, or even any of the big companies themselves. **RH**