

Clean tech generating buzz with money crowd

Big payoffs seen as possible in broad sector

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by [Mark Calvey](#)

Venture capitalists' growing enthusiasm for a broad range of clean technology investments has some talking bubble.

But clean tech also has all the hallmarks of a fertile field for venture investing: innovative technology in large markets with the potential to pay off big.

The so-called double-bottom line -- doing good while doing well -- is seen by some as merely a bonus.

"This isn't all about the double-bottom line, it's about the bottom line," said Ira Ehrenpreis, general partner at **Technology Partners**, a venture fund investing in life sciences and clean tech before clean tech was the Next Big Thing.

Clean tech generally includes water purification, solar power, biofuels, materials based on nanotechnology and clean coal-use technology to name just a few. It may seem like a large umbrella under which many businesses can fit. (Even the Canadian fur industry describes itself as eco-friendly because it draws on what it considers a renewable resource.)

"People are finding that they can make money on clean tech," said Craig Cuddeback, senior vice president at **Cleantech Venture Network** in Ann Arbor, Mich. He pointed to the initial public offering of **SunPower Corp.** as an attention-getter for the investment community. SunPower went public late year and is trading at the \$28 level, which is just above its offering price. But the IPO showed that VCs could exit their investments given stock market investors' appetite for companies in the clean tech arena.

Growing investment

Clearly, clean tech is hot on Sand Hill Road.

Clean tech businesses received a record \$513 million in venture capital in the first quarter, according to the latest figures available from the Cleantech Venture Network. The first quarter saw 67 companies getting financial backing, down from 73 in the fourth quarter of 2005 but up from 49 in the first quarter of 2005.

The average deal size was \$8.28 million, up 20 percent from the fourth quarter's average \$6.88 million and up 16.7 percent from the first quarter of 2005.

DFJ Element, a venture fund formed to focus on clean tech, said June 28 that it raised \$284 million. The fund, formed by **Element Venture Partners** and **Draper Fisher Jurvetson**, has already invested in four companies. The portfolio includes **CoalTek Inc.**, a developer of clean coal technology; **Fat Spaniel Technologies Inc.**, a provider of infrastructure technology used by power generators that use renewable resources; **Miartech Inc.**, a Shanghai semiconductor design company focused on boosting energy efficiency; and EcoSmart Technologies Inc. a business focused on organic pesticides.

The new fund's institutional investors reflect the level of interest in clean tech. DFJ Element's investor base includes CalPERS, **Swiss Re**, **Coca-Cola**, ITT, **British Airways** and the Los Angeles City Employees Retirement System.

"The quality of this team and their track record garnered tremendous interest in the fund. Accordingly, we lifted the original cap to accommodate the demand," said Christopher Kirsten, managing director of **Lehman Brothers** and head of private fund marketing, which sold the fund to institutional investors.

Rockport Capital Partners raised \$260 million for its second fund in January.

More on the horizon

Kleiner Perkins Caufield & Byers created a stir when it recently announced its "greentech" investment initiative that includes directing \$100 million of the \$600 million in its twelfth fund to sectors it considers green. John Doerr, a partner at the top tier venture firm, said the firm could eventually invest even more in clean tech if the investment opportunities merit it.

Piper Jaffray & Co.'s Private Equity Partners said in May that it's creating a fund of funds in clean tech to raise \$50 million that would then be invested in a range of investments through DFJ Element, San Francisco-based **Nth Power** and other venture firms.

And of course with this level of interest in clean tech, it's not surprising that there's a proliferation of conferences on the agenda.

Mohr Davidow Ventures said this month that it will sponsor the California Clean Tech Open, a competition that will award \$500,000 in cash and services to boost clean tech. The application process concluded May 31 and winners will be announced Sept. 29 in the Bay Area.

"We're entering an historic era in clean tech innovation," said Erik Straser, general partner at Mohr Davidow, where he leads energy and materials investing.

The third annual energy tech investor conference will be held in San Francisco July 18 and 19. Conference organizers note that clean tech made up 10 percent of all venture investments, or \$502 million, in the fourth quarter last year.

With investors hoping to clean up in clean tech, it's timely that the conference's program highlights include, "Clean technology -- what does all the hype mean?"

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