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**Analysis: New CA Cleantech Investors Emerging, VCs Remain Major
Players & Later Stage Investment Shows Gains**

New study examines a decade of CA cleantech investment

(San Francisco) – A new analysis of the last decade of investment in California’s world-leading clean technology (cleantech) sector shows that although venture capitalists (VCs) remain key players, different types of investors are becoming ever more important to the growth of the sector, later stage investment is showing gains, and new financing mechanisms are influencing the sector.

Cleantech Investment: A Decade of California’s Evolving Portfolio, produced by Next 10 (www.Next10.org), examines cleantech investment trends from 2003 through the first half of 2013 and features interviews with top cleantech industry CEOs and investors including Steve Westly of The Westly Group, Nancy Pfund of DBL Investors, Dan Adler of CalCEF and CalCEF Ventures, Ralf Schnell of Siemens Venture Capital, Tony Canova of ChargePoint, Mike Zimmerman of BuildingIQ and others.

“There is no question that California’s cleantech sector leads not only the nation, but the world. It represents billions of dollars in investment in our economy every year, and it is important that we get a clear picture of how this vital sector is evolving,” said F. Noel Perry, a businessman and founder of the nonprofit, nonpartisan group Next 10.

The new report finds that although traditional venture capitalists - familiar with early-stage, high-risk investment and management expertise - continue to play a pivotal role in the sector that they helped to build, corporate strategic investors are growing players in California’s cleantech sector. In fact, of the \$2.6 billion of cleantech venture capital investment in 2012 in California, \$1.45 billion included corporate investors. From 2003 to 2013, the average venture capital deal amount has been an average of 48 percent higher when corporations have been involved. Top corporate investors in California cleantech companies include Google Ventures, Intel Capital, General Electric, Siemens Venture Capital, and Aster Capital.

“Corporations provide strategic market power, longer-term investment horizons, critical investment capital, and access to customers in existing markets. Startups provide corporations with a means to deliver new and innovative products and



services to existing customers,” said Doug Henton, Chairman and Chief Executive Officer of [Collaborative Economics](#), which authored the report.

Traditional venture capital drove the rise of California’s cleantech sector in the first part of the decade analyzed, as money poured into “development and growth” activities aimed at researching, refining, commercializing and scaling new products.

In more recent years, other types of investors have jumped in to fund “development and growth” activities. Debt financing from banks and investments from corporations have become increasingly prominent, helping to fuel the expansion of the cleantech sector as a whole. And, at increasing rates in recent years, a greater proportion of investment is being directed toward *deploying* cleantech products and services rather than “development and growth” activities. Public policies, innovative new financing mechanisms and tax incentives are also helping to drive cleantech deployment investment.

“California cleantech companies have proven that the technologies they’ve invented and developed are viable, reliable and profitable products,” said Perry. “This maturing of the market is why we need to expand our view of investment in the sector to include more than just VC, as deployment becomes increasingly important.”

Looking at the first half of 2013, “development and growth” investment in California cleantech was up threefold when compared to the first half of 2003 (rising from \$280 million to \$870 million). “Deployment” investment in cleantech was up even more dramatically, with project financing reaching nearly \$4.8 billion in the first half of 2013, rising from \$250 million in the first half of 2004. But more recently, investment in cleantech in “development and growth” slid about 44 percent from the second half of 2012 to the first half of 2013 (from about \$1.5 billion to \$870 million), with the venture capital portion of this category more resilient with a decrease of about 22 percent (from \$870 million to \$680 million). Project financing for deployment decreased only three percent (from \$4.9 billion to \$4.8 billion) from the second half of 2012 to the first half of 2013.

The report attributes these recent declines in overall cleantech investment to the natural “hype cycle” of a new industry, similar to the Internet “hype cycle” of the mid- to late 1990s. Heightened enthusiasm for clean technologies drove a climb in venture capital investment between 2008 and 2011, when many non-specialized investors added cleantech companies to their portfolios. After 2011, limited market opportunity caused some non-specialized investors to move away from the industry or reorganize their cleantech strategies.



The analysis concludes that the shifts and changes in California's investment portfolio, innovative financing mechanisms that are being developed, like Real Estate Investment Trusts, Master Limited Partnerships, and crowd investing, as well as innovative policies like AB 32 and the state's Renewable Portfolio Standard will act to further advance California's cleantech sector.

About Next 10 (www.next10.org)

Next 10 is an independent, nonpartisan organization that educates, engages and empowers Californians to improve the state's future. With a focus on the intersection between the economy, the environment, and quality of life, Next 10 employs research from leading experts on complex state issues and creates a portfolio of nonpartisan educational materials to foster a deeper understanding of the critical issues affecting our state.