

URL: <https://stvp.stanford.edu/clips/energy-innovation-needs-patient-capital>

Dr. Kristina Johnson believes effective long-term approaches for energy sector innovations require access to "patient" capital. Here the former U.S. undersecretary for energy explains why companies need to blend near-term investments to keep investors happy with long-term projects that support energy source migrations across the globe.



Transcript

You know entrepreneurship in the energy sector is - well it's critically important and I really encourage it.. It's a - it doesn't fit exactly into any previous model, if you will, and in my view.. So you can look at sort of a traditional VC model that's been extremely successful in IT and biotech.. And in the energy space, it's harder because as I mentioned before it takes a long time to develop some of these technologies and a long time to migrate from one energy use to another.. So I think that what we need is a new model which is patient capital.. It's actually a model that I'm thinking about exploring with the venture that I have; where you have an opportunity to have a mix of investments and things that will have a near-term pay-off to keep your investors at least happy.. Happy investors are a good thing, I'm sure that must be a principle in EPI.. At the same time, when you have time to invest and then create the kind of change that you can see happen almost immediately in some of the IT revolution.. So I think that's different, I think that really you need capital investment more in the 10 to 15 years, rather than the 5 to 10 years.. And so finding sources of capital that are patient I think is really important as one thing..

It's also in some sense a very conservative industry.. And I think, I had the opportunity to sit down several times Under Secretary of Tom Friedman and he made a very good point at the first breakfast we had, which is, here is the challenge in clean energy.. I'm going to give you a light bulb and I want to charge you more for that light bulb and he said, but Tom I already got light bulbs, I already have them.. And he says, but I give you this box and in this box you can communicate with anybody, anytime, anywhere in the world, and it cost you \$1,000.. This is the true story of the first cell phone, as many of you too young, I appreciate that, but it used to be analog, used to be very big, and they used to be very expensive.. And so over time they migrated, but they gave you a new functionality you didn't have before.. And people bought thousands of them.. Even though they're much expensive, and that's the challenge we have in energies, we need to provide in order to make a change, and I've been trying to study change movement, what does cause people to change? Hence, I found my way to Balaji effectively and to do that kind of investment, even though it might be against your economic interest to do that...