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The Evolution of Clean Tech Investing

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Two major shifts have made clean tech investments more financially viable over the past ten years, says Buoyant Ventures managing partner Amy Francetic. First, the core base technologies have gotten more cost-competitive, and second, there is more capital in the market, even amid political headwinds. In some instances, she adds, political resistance to tackling climate change has actually inspired investors to put money into clean tech funds.

Transcript

So if you look back and you measure clean tech funds from, say, 2010 till now, they had terrible returns, right? So they were single digits or negative not even returning their base capital.. Since in the last six years, they've done so much better so the top quartile clean tech funds have been delivering, on average, according to Cambridge data, which is the data that I'm citing up in the mid-20s, so that's really good, that's a really good venture return, that's a three x net return for these funds.. The IT funds, the IT venture funds have done in the mid-'30s so they've been really great over the last six years, and you guys know all about that and some of the big funds in the valley that have been leading away there.. So what's changed, what's better now? So a few things have changed.. Number one, the core equipment and technology for renewable energy is much, much more cost competitive and is much, much cheaper than it was 10, 15 years ago.. So wind and solar are very, very inexpensive and some of the lowest cost energy you can build, new generation you can build today, they'd certainly be coal and nuclear in every market and even in some markets, be it natural gas.. So the core base technology has become very, very cost competitive.. Another thing that has changed is the in the venture space is this addition, there's been a lot of new capital that's come in that is looking for venture fundable technology.. So, there are some very ambitious folks that are shooting high and maybe looking for 20-year returns like Breakthrough, but there's a lot of new funds that have been raised in the last four, five years and filling that gap that had existed before to help commercialize a lot of these technologies and they're getting very good at choosing companies that can scale in a venture timeframe in a 10-year timeframe.. And one of the things that's gotten worse is I think the political headwinds that we have in at least the United States, so you've got really great leadership happening globally, the rest of the world has woken up to the fact and accepts climate change and accepts the science, and then we've just, with this administration, we've had a lot of resistance..

So that has opened up some additional capital like folks is almost sort of maybe activated a part of the market that before wasn't activated because they wanna do something about it, so it's have helped to bring some new capital into the market, and a lot of that new capital is coming from family offices and foundations and others that have a really strong impact in ESG impact drive for their capital, so they're looking for not just financial returns, but some environmental, social, or governance benefits for their capital, so that's a big thing that has changed in the last few years and I think it's brought in some new sources of capital that have a really strong intention with their money, so that's at least where we've seen a lot of funds have been successful in raising from some of those folks...