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Clean-Tech Investors Shift Focus From Start-ups to ‘Stand-ups’

By LIBBY TUCKER

Ira Ehrenpreis, the chairman of the Clean-Tech Investor Summit, being held next week in Palm Springs, says a natural Darwinian effect is taking hold of clean-tech investment.

Investors were in high spirits at last year’s [Clean-Tech Investor Summit](#) as the sector headed for a record-setting year with \$8.4 billion in venture capital raised for clean technology, according to Cleantech Group. This year’s event, set for Jan. 21-22 in sunny Palm Springs, Calif., comes after [a dismal fourth quarter](#) in which clean tech investments fell 35 percent from the previous quarter.

“We’re at the height of everyone realizing this fierce credit crunch,” said Ron Pernick, co-founder of [Clean Edge](#), a market research firm in Portland, Ore. and a co-sponsor of the event. “There’s a real cognizant sense that there are great challenges, and sacrifices need to be made even though clean-tech offers the best hope for getting us out of the malaise we’re in.”

After nearly a decade of increasing investment and public attention, the clean-tech sector – a broad category that encompasses renewable energy, green transportation, information technology and energy efficiency – has reached a stage in which many technologies are ready for wide-scale adoption.

But the current credit crisis has caused many banks to stop financing the capital-intensive projects companies need to scale up production. [SpectraWatt Inc.](#), a solar cell manufacturing start-up started by Intel Corporation last June, for example, recently put off plans to build a new factory in Oregon after it failed to find financing for the project, according to [The Oregonian](#) newspaper.

With so little commercial lending available for projects, venture capital firms are in turn trimming some of the early-stage companies from their portfolios in favor of maintaining or expanding their current holdings, said Mr. Pernick. Deals are still happening, but investors are choosier and fewer start-ups are getting money, he said.

It may be harder for more “marginal” companies to find financing, but “stand-up” companies are having an easier time as investors become more discerning, said Ira Ehrenpreis, a general partner in Palo Alto-based [Technology Partners](#), which counts Tesla Motors among its investments.

Tesla [secured another \\$40 million in loans in November](#), though this fall the company fell short of raising the \$100 million it needed to build a proposed factory for its luxury electric cars.

“We think of what’s happening as the natural Darwinian effect; some of the best companies have come out of more challenging times,” said Mr. Ehrenpreis, who is also chairman of the Clean Tech Investor Summit. “That’s true with Genentech and Cisco.

Google was funded when search was dead. If you can find the most innovative leaders in the clean-tech sectors it's a great time to invest.”

Over all, Mr. Ehrenpreis said he expected an optimistic mood from his audience at the Florida event, which is expected to sell out at 500 participants. Investors are betting that changes in the political landscape, public perception and global demand for clean energy will continue to drive growth in the clean tech sector, he said.