

Workshop 13 – Venture capital and clean tech: is Europe missing out?

Europe has been at the global forefront in developing clean technologies such as wind power since their inception, but in the past two years its main rival the United States has started to seriously outstrip European investment in this sector. Leading to the question, despite an initial competitive advantage in the sector, are companies over here missing out on opportunities that businesses elsewhere in the world are now starting to enjoy?

“Clean technology includes a very broad range of products and services,” said Bart Diels, investment director for Belgian private equity firm GIMV. “It is a relatively immature sector for venture capital and it is not very easy for European companies to find funding.”

In the past year investment in the US in this sector was worth €1.8bn while in Europe it was half this figure at €900m. Other indicators point out that this will rapidly accelerate on the other side of the Atlantic as in 2008 the order of magnitude of growth was 8 to Europe’s increase of 2.5 in investment.

“Europe trails because of the size of the deals, in the US they twice as large and this is because of the greater appetite for risk,” said Diels. “This is despite European technology being more advanced than American for the moment, as Europe leads in the solar PV, wind power and biodiesel sectors.”

Christian Morales, vice president EMEA for IT technology company Intel predicted that there would be a fall in investment this year, because of the effects of the global financial crisis.

“There will be a slowdown in investment, but we expect healthy growth in the sector in the near future,” said Morales. “The US has caught up very quickly and investment levels grew by two-and-a-half times in 2008.”

Companies will be further encouraged to invest in the sector, because of the needs created by their cost chains, demands to be corporately responsible and climate change, he added.

International institutions such as the European Commission and the World Bank have a role to play in encouraging this sort of investment.

“Clean technology is the number one investment in Silicon Valley at the moment,” said Jean-Noel Durvy, director for innovation policy at DG Enterprise. “The Commission is keen to encourage European companies by easing access to venture capital, encouraging technology transfers and building lead markets.

“I am also happy to report that the European Investment Bank between last October and February issued loan contracts for €31 billion. There is a European commitment to innovation. We also are encouraging reforms of the European venture capital market, as these are under national control at the moment.”

“The World Bank is also supportive of clean technology and we will analyse market failures, encourage policy changes in this area and private sector take up,” said Joelle Chassard, manager carbon finance unit at the World Bank “We also interested in assisting venture capitalists and the opening of new markets to them.”