

# The Vital Link

## Renewable Energy: increasing its uptake and competitiveness via venture capital

Large corporations such as utilities do not lead innovation. To foster the essential development of renewable energy, venture capital provides the link between innovation and commercial success.

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Alexis participated in the privatisation of East Germany by working at the Treuhandanstalt. He was thereafter involved in consulting and restructuring as a management consultant for several years. He moved into venture capital in 1999, becoming a director at T-Venture, Deutsche Telekom's corporate VC operation. He then founded Axiom Venture Capital, one of the first VCs in Europe to have focused on RE. Axiom is currently raising a €20+ million cleantech VC fund.

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For Europe to achieve both energy autonomy and a reduction of the environmental impact of fossil fuels, it is essential to identify and finance promising technologies in the field of Renewable Energy (RE). Whilst some research and development can be done in the corporate world, most corporations are linked to the world of fossil fuels, either as producers or as users, as is the case of most utilities.

Therefore a crucial role is to be played by financing innovations in small and medium enterprises (SME). These may be family-owned businesses, young start-ups or spin-offs from public or university laboratories. In such a context, venture capital (VC) is the key factor. VC provides capital finance in a situation where technological and commercial risk still exists. Established financial institutions will neither provide credit nor equity to such entities.

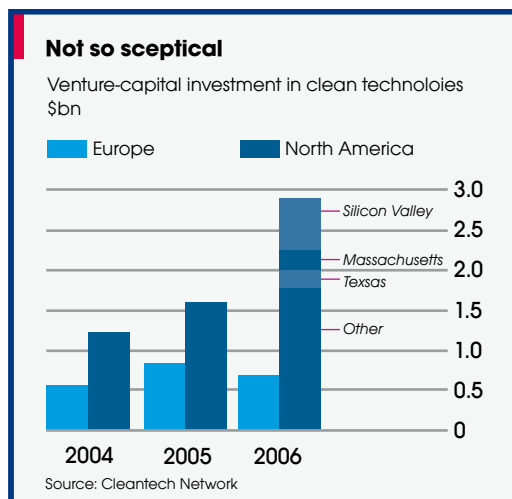
Furthermore, VC provides a nurturing approach, through which, strategic advice, financial planning, HR recruitment and business relationships are provided to the SME. VC is therefore much more than just equity financing

In Europe, one has been involved in research in the field of RE for a generation and may be considered world leaders across the spectrum of RE. Whilst Japan may claim a co-lead in photovoltaics, Europe has the potential to stay ahead due to its research infrastructure. But the vital link between innovation and commercial success has to be financed: VC's role is of the utmost importance, especially when it comes to identifying and accompanying spin-offs from the lab to the market. Researchers in Europe are not always commercially aware and to compensate this deficit whilst capitalising on great scientific skills in RE, an EU-funded project has been established: "Promotion of Renewable Energy Technology Transfer" ([www.prorett.eu](http://www.prorett.eu)). Axiom VC is one of the members of this 7-strong consortium, casting a critical, commercial eye on the projects of Europe's top labs. Only by getting RE innovation financed can Europe stay ahead of North America, which compensates for its neglect of RE research with billions of \$ of VC money. Silicon

Valley VCs are even coming to Europe to finance opportunities, due on the one hand to Europe's advance but, on the other hand, the consequence of too little dedicated VC in Europe for RE; only one new pure-play "early-stage cleantech VC"

has managed to raise sufficient capital from institutional investors in the past 3 years.

Many VCs are still chasing IT and biotech deals when the real "enjeu" is that of planetary survival: identifying modes of energy production for decentralised and low impact energy generation. More "smart money", as VC is also called, directed towards RE would enable breakthroughs to be commercialised and rapidly disseminated and thus hopefully put an end to China's plans, among others, to build 2 coal-fired power plants per WEEK and 2 nuclear plants per YEAR. ProRETT has identified groundbreaking and economically viable technologies, e.g. organic household waste which can be transformed into a biological crude oil for 30c/litre or a new wind machine



VC investments in cleantech geographically

which turns the laws of Betz on its head. ■