



Stanford eCorner

What is Low-Carbon Investing?

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MissionPoint Capital Partners co-founder Jesse Fink explains what it means to merge clean energy and environmental finance, including cap and trade and other infrastructure supports, that helps bring clean tech initiatives to market faster and at a lower cost.



Transcript

So when I think about clean tech investing, when I think of solid oxide fuel cells or new thin film semiconductors or solar concentrators or something else, I'm getting a feeling that all those words you just used for the last two minutes doesn't mean that. Right. So what is it that goes on in Connecticut that makes you an investor in this space? So what is an example of the types of difference between East Coast clean tech investing or low carbon investing and what's going on here in the Valley? Well, the company that we formed two years ago with my partners Mark Cirilli and Mark Schwartz, MissionPoint Capital partners, is a private investment firm, and we are focused on what we call a transition to a low-carbon economy. We believe that the transition will come from clean energy and environmental finance, and it is important to have both of those together. Here, there is a tremendous effort, and it's fantastic towards clean energy technologies. Back east, there's a lot with environmental finance. Environmental finance is trading carbon credits, environmental commodities. We as a firm look at the intersection of those two. So an example is there's a lot of discussion right now regarding a U.S. Carbon and Climate Bill which, hopefully, will get passed this year.

It's called Warner-Lieberman if you followed in the press. There's discussion about a cap-and-trade mechanism which is very important. Putting a cap on carbon and then allowing the markets to trade underneath that. That requires a tremendous amount of a financial infrastructure to enable companies to trade their carbon underneath that. So we looked at the whole financial transaction that has to happen, and we will invest through our firm, invest in companies that are involved in setting up the markets so that other companies will have the ability to trade carbon. That, to us, is as important as investing in solar which we have some investments in solar. We have investments in wind. We're a firm believer in renewable energies and cleaner technologies and the core infrastructure, but I think the other part for us is really taking the environmental finance piece of it and marrying it together with the clean energy aspect. So help me understand, what are some examples? Maybe, just types of companies, if not names, that you guys invest in. In the clean energy side, we look at technology companies, so we have invested in a solar technology company, and I should say, on our website, there are a few of our portfolio companies, most of them we have not put on the website at this point in time.

So we are looking at solar technology. In the wind sector, we have invested in a service company, so we looked at wind and said, "It's great. There are wind farms that need to be built. That is not a business that we're going to get involved in," but all these turbines are being built all over the place. They need to be serviced. So we invested in a wind service company that is well-positioned to take advantage in the growth in the wind business. That is a service business, so technology business, financial service business, and I think that is an area that we spend a lot of time because these technologies get developed

and then they need to be deployed out there in the marketplace, and I think that may be a difference that we see. It is that the issues in clean energy and in really trying to solve the problem in climate change is innovation, obviously. It is important but commercialization is equally important. So how do things get commercialized? They get commercialized by the financial markets and by reducing the cost of capital.

So we spent a lot of time on financial services looking at leasing operations, looking at ways that you can deploy all the great technology that for the most part is being established and developed out here. How do you get it out to the marketplace? How do you get it scaled faster? It is different in the energy business. It is not just putting more servers in. It's not a \$5-million to a \$10-million to \$20-million. You can create a technology and it could be a \$200-million install for the first coal plant to actually deploy that technology. That requires a different type of financing than the traditional models that were not in the energy sector.