



Stanford eCorner

Venture Capital's Improved Navigation of Clean Tech

Carlos Perea, *Miox*

April 21, 2010

Video URL: <http://ecorner.stanford.edu/videos/2439/Venture-Capitals-Improved-Navigation-of-Clean-Tech>

Emerging technologies in the field of energy have the potential for tremendous pay out. But the flip side of that equation also means that some ventures require substantial investment to launch. Miox CEO Carlos Perea offers an interesting industry perspective on the state of venture funding in clean technologies. In this clip, he comments on VC's current savvy in sharing investment risk with other companies and government agencies. He also notes the investment community's improved intelligence navigating through government regulation, as well as other learned strategies.



Transcript

I think the question was, it seems like and I think if this is your assertion this is correct, that our technology isn't as capital-intensive to test in terms of development of the technology. It actually has a lot of rigorous testing though in the sense probably more than is apparent, because it goes into EPA drinking water standards. And so the military tested this extensively for us to have public drinking water system usage here in the US, there's a tremendous amount of regulatory oversight and hurdles that you have to go through. So it is a very rigorously tested device probably much more than solar and hydro and other energy-related clean tech devices that I can think of in terms of is it certified, if you will, by the relative agencies. The other part of your question I think is spot on, which is to develop the technology wasn't as capital intensive as say, developing a new solar fab where you not only have the technology issues to deal with, you also have the capital-intensity associated with ramping up production. And I think that's one of the things that the investment community is coming face-to-face with in clean tech very quickly is if you look at the way venture capital community is set up - for the most part, and there are few exemptions - it's really set up to take smaller bites at the apple, five million. Let's see this with a couple of hundred thousand or a million, get to proof-of-concept, and put a couple million in, they we'll get the revenue, then we'll put a couple more million in. You have ten million in for the company that, if you're Facebook is worth billions, but if you're kind of a normal trajectory, maybe you're worth two or three or four or five times that. Good outcome. And you look at a solar company, which might take 200 million at an extreme case to get ramped up, and then only to find out you're not cost competitive, et cetera.

That's a really big investment chunk. And I think that is already played itself out to some degree. And the investment community is getting more thoughtful about how to either share that cost with either large companies or governments or others. Or how to figure out novel ways to get the proof points quicker and more inexpensively. But that is one of the big hurdles in clean tech is, you just got to look at the money in versus the money out. If the bet is a billion dollar bet, it better be a \$10 billion potential return, because it doesn't make sense otherwise. But it's a great question, a great observation about clean tech.