

Cleantech VC investment rises in 3Q

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SAN DIEGO — U.S. venture capital investment in cleantech companies increased 46 percent in the third quarter from the prior quarter, according to an **Ernst & Young** analysis based on data from Dow Jones VentureSource.

VCs invested \$965.2 million in 50 financing rounds in the third quarter, compared to \$661.2 million in 50 financing rounds in the second quarter.

This is the second consecutive quarter of growth in 2009 and the fifth-largest quarterly investment total on record, Ernst & Young said in a statement.

Compared to the first quarter of this year, quarterly investment has increased 182 percent in terms of capital and doubled in terms of financing rounds.

There is some "reserved optimism" that this positive trend will continue, said Ernst & Young partner Doug Regnier, who is also the firm's Pacific Southwest Cleantech leader.

He cited the expected disbursement of stimulus funds toward cleantech projects as a key factor in re-sparking investor excitement about the sector.

San Diego, in particular, has seen a "keen interest" in smart grid and energy efficiency technologies, Regnier said.

"That type of technology is right in the sweet spot with the local venture capital community," he said.

The category attracted the largest amount of money nationwide, receiving \$316 million or 33 percent of the quarter's VC investment in cleantech. Solar technologies garnered the majority of investment in this category, raising \$309 million.

San Diego Gas & Electric recently received \$28.1 million in stimulus

grant dollars from the Department of Energy to install wireless smart

See **Cleantech** on 2A
 grid communication devices.

"It will be interesting to watch how that (stimulus) money gets deployed," Regnier said. "The question is, will some of that money get spent in emerging cleantech companies and accelerate commercialization?"

San Diego's primary strength, however, is in algae-based alternative fuels, with at least four local startups vying to be the first to market.

The alternative fuels category, consisting entirely of biofuels deals, grew by 58 percent to \$71 million.

Among the deals highlighted in the Ernst & Young report was **Exxon Mobil's** commitment of \$600 million to La Jolla-based **Synthetic**

Genomics to develop commercial viable biofuels from algae.

La Jolla-based **HR BioPetroleum** is backed by Shell.

Two other local companies highlighted in the report were **Achates Power Inc.** and **Advanced Telemetry**. Achates, which received \$12.1 million, is developing engine technology that maximizes fuel efficiency and power density at a lower cost.

Advanced Telemetry's EcoView product line aims to motivate consumers to reduce energy use by providing a visual of their energy usage in real time.

The majority of national investment dollars — 61 percent — was directed to companies that are currently ship-

ping products, indicating that investors are looking for more mature companies to reduce investment risk, Regnier said.

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