

Greenbacks for Clean Tech

Venture capitalists seek untapped innovations that preserve the environment

By João-Pierre S. Ruth

THE CLEAN TECHNOLOGY SECTOR is attracting attention—and dollars—from venture capitalists, according to participants at a symposium hosted last week by the New Jersey Technology Council.

"We see climate change as the Big Bang for clean tech," said Alan Kelley, managing director of venture capital partnership SJF Ventures in New York City.

Clean technology has already attracted a lot of funding. Last year, \$1.4 billion was invested nationwide, according to the National Venture Capital Association in Arlington, Va.

While solar panels and other alternative energy sources make headlines, the venture capitalists gathered at the Institute of Marine & Coastal Sciences at Rutgers University in New Brunswick said they wanted to find innovations that have yet to be tapped.

"As soon as someone tells you something is hot, it's probably too late," said Greg Olsen, part-time cosmonaut and CEO of GHO Ventures in Princeton. "By now there are so many



Olsen sees the sector as a fast-moving commodity.

people in the solar area, to start up something you are probably too late."

Olsen is a rock star among entrepreneurs

for his unprecedented development, sale, buy-back and resale of Sensors Unlimited in Princeton, the developer of a plethora of sensor technologies. Now he invests in other people's new ideas through GHO Ventures. One of his investments, Princeton Power Systems, helps deliver solar energy in a usable form to the public. "They sell switching for electric power," Olsen said. "They sell the equipment that converts that solar energy into [electricity]. What they sell is efficiency."

Other clean technology investments in Olsen's portfolio include Innovation Engineering in Mount Laurel and Power Survey Co. in Kearny. "What [Power Survey] does is stray voltage detection," said Olsen. The company uses detectors to find electric current running to the wrong, and sometimes dangerous, destinations such as manhole covers or fencing. "We have a contract with Con Edison where we scan the entire city," Olsen said. "We find about 10 hits a night ranging from eight to 10 volts and up." In addition to the safety risk, detecting voltage leaks can save energy from being wasted. "The best way to save energy is not to use it," Olsen said.

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Company leaders discussing their work in the clean technology sector were Jesse Grossman, CEO of Soltage in Jersey City, which operates solar energy generation stations; John Mickowski, CEO of Common Ground Recycling in Montague, which makes equipment used to recycle tires; and Amir Elbaz, executive vice president of Lithium Technology Corp. in Plymouth Meeting, Pa., which makes rechargeable lithium ion batteries for transportation and stationary use.

When the discussion touched on hydrogen power and fuel cells as potential sole sources of power for electric cars, Elbaz offered a sobering real-world perspective. "With fuel cell cars, [car makers] don't see a way they will be commercially viable," he said. "These cars will cost about \$1 million, and they don't see a way to bring it down so that every consumer will buy it." He sees hybrid vehicles that include fuel cells as the more feasible reality.

Ironwood Capital is a newer entrant to clean technology investing and is keeping a grounded approach, focusing more on companies with recycling technology than alternative energy. "About a year ago we began looking at more clean technology opportunities," said Rice. "We do not do much in the way of really cutting-edge solar or biofuels or anything like that."

SJF Ventures seems sold on backing developers of clean technology. "We're focused a lot on energy efficiency as are a lot of other investors. About half of our portfolio is in clean tech," said Kelley. "We invested in a company called groSolar [in White

River Junction, Vt.], which is one of the largest companies that installs solar panel units on the East Coast in the residential market. We invested about \$10 million."

Regardless of promises to save the environment, venture capitalists still want to see proof that technology developers can deliver their ideas in a marketable fashion.

"We try to invest in companies that are up and off the ground, that are selling products in the marketplace and have about \$1 million in revenue," said Kelley. "That's a good indication that the early-stage risk has been wrung out."

Olsen concurs, not allowing himself to get caught up in any rhetoric about a technology's potential. "I'm not impressed when someone walks in and says, 'Look I got a patent.' I'm impressed when someone says, 'Look this thing actually works.'"

Still, Olsen remains willing to lend his ear to inventors at the early stage of development. "I prefer working with startups right off the ground," he said. "It's cheaper that way and in my mind I think I am taking less of a risk." ♦



Kelley

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