



E3
ENGAGE
EMPOWER
ENHANCE

Advising Greentech companies
to help maximize growth

Is Cleantech Capital being Invested Wisely?



...A continued review of Sightline Climate's
Climate Tech Investment Trends 2024 report



We continue the assessment of the Sightline Climate 2024 Climate Tech Investment Trends report.

Today it's the stages of growth investments including seed capital, follow on investments (series A, B, C) and capital for later growth stages.

Why?

Because this data can tell us a great deal about the future landscape.

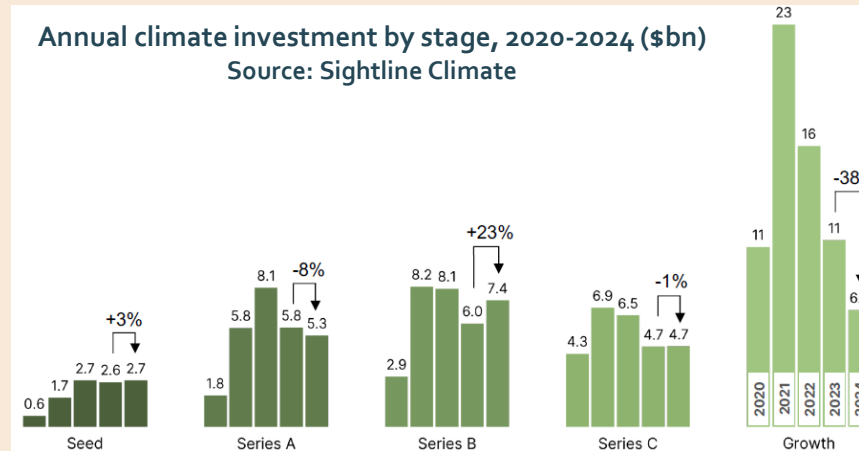
Looks like too many misses

Report Authors Analysis

- Growth stalls, earlier stage investment mostly holds steady, and seed investment stays roughly constant.
- The authors noted that the 23% increase in Series B was mostly the result of a few unusually large deals (IM Motors, Electra and EnerVenue accounted for 23.5% of total Series B investments).

Annual climate investment by stage, 2020-2024 (\$bn)

Source: Sightline Climate



My Take

There are two ways to look at this data:

1. **As markets mature investment capital gets smarter.** Early in emerging markets there's a tendency to take a "shotgun" approach to investing (i.e. put money into everything that moves). That strategy lessens over time.
2. **Losses have piled up and investor are getting gun shy.** This could explain why investment levels have been flat or declining.

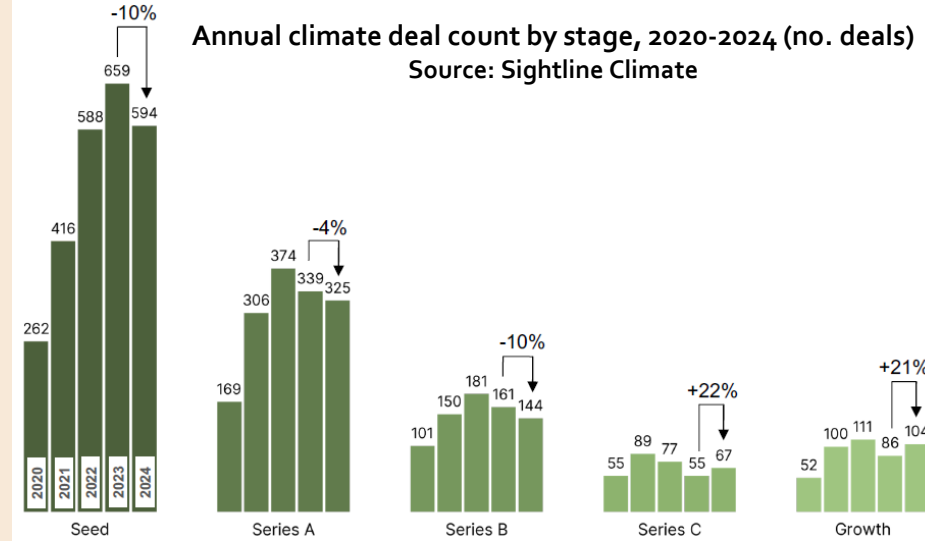
Whether explanation 1 or 2 is more accurate, the trend is not encouraging for an industry still early in its evolution. The flat Seed money and declining Growth money suggests that too much capital hit "dry holes."



There is no positive ways to spin the Growth money trend. If the author's assessment is correct, it appears that too much capital is chasing bad ideas.

The fight to reverse climate change cannot afford to waste financial resources. Money needs to get smarter.

A less than positive definition of growth



Report Authors Analysis

- Fork in the road as early stage deal counts drop, later stage deal counts rise.
- The largest series C deals were concentrated in nuclear, mining, and low-carbon fuels.
- Growth deal counts on the rise, but look more like bridge funding to keep the lights on versus helping companies progress to new stages of commercialization.

My Take

- Because so many cleantech technologies are nascent, maintaining high Seed money deal counts increases the probability of finding the best solutions. The decline in Seed deals is a bit of a red flag. With that said, one year doesn't constitute a trend. It could easily be a blip.
- The author's belief that the Growth money isn't going to get companies to the next level, but is just to keep the lights on, supports the previous premise that a lot for money has been invested in losing propositions.

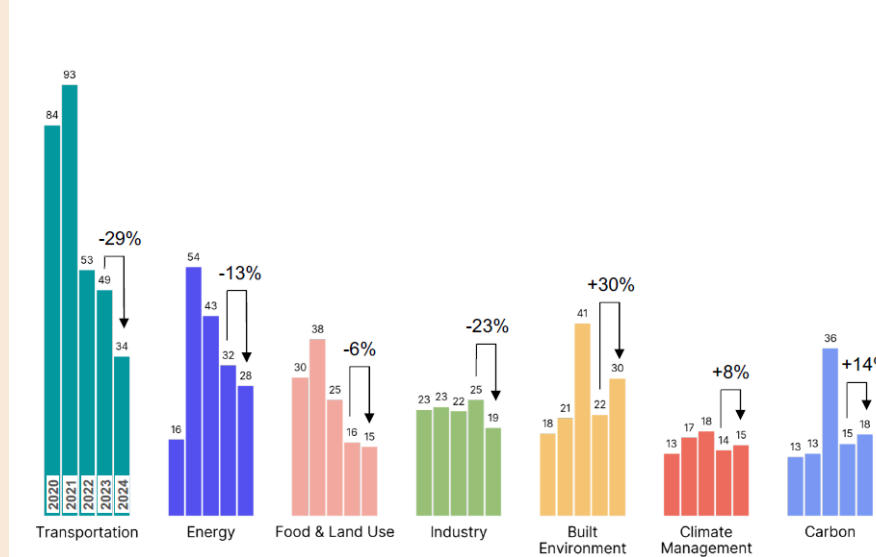


It's hard to discern too much from deal size data. There can be numerous explanations for the variations.

Still, the trend downward in the two key sectors – Transportation and Energy – isn't encouraging.

Smaller deals in addition fewer ones

Average annual climate deal size by vertical, 2020-2024 (\$m)



Source: Sightline Climate // Note: Deals with undisclosed funding values are not included in the average deal size calculations.

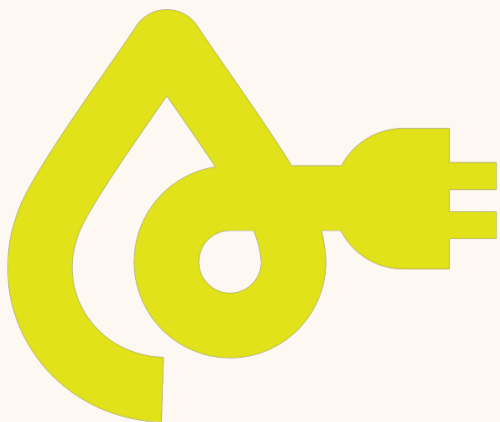
Report Authors Analysis

- Larger sectors saw a decline in average annual deal values.
- The Built Environment got a bump from data centers (Scala (\$550m), Deep Green (\$255m), and Aria (\$158m).
- Investors are still flush with dry powder, but they're being less flashy with their cash deals. Deal sizes reflect the hesitancy that the market hasn't managed to shake yet, and/or just how crazy that 2021-2022 bubble really was.

My Take

- It does appear that 2021 was an outlier for most sectors.
- The spike in the Built Environment caused by data centers is actually a headwind to achieving climate goals.
- The one bright spot is the uptick in the Carbon sector. We need a greater emphasis on carbon capture, removal, and sequestration technologies.

A unique challenges of cleantech is the breadth of technologies and approaches. This causes money to be spread across many ideas creating a dilution effect. Investors need to take a more systematic approach and ensure profit and climate goals align.



E3
ENGAGE
EMPOWER
ENHANCE



Advising Greentech
companies to help
maximize growth

Unbiased and Unfiltered

- An honest assessment of the climate change effort.
- I cover what's working – but more important - the issues/roadblocks that the industry would prefer to ignore.
- A must-read for anyone with a desire to understand what's really going on with renewable energy and climate change.



If you find my posts informative,
please follow and connect with me,
and share these posts.

in

SHARE

Follow

OR

Connect