

# Venture Capital Funding and M&A Quarterly

## **Alternative Energy • Clean Technology Energy • Environmental**

1<sup>st</sup> Quarter, 2008 – United States

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## Summary

During the quarter, the four reviewed industries received a total of \$435 million in venture capital funding, which was \$64 million less than the previous quarter and represented a 13% decline in total funding.

Alternative Energy sector companies received the lion's share of funding as in the previous quarter, receiving \$269 million in new financing. Energy companies registered the largest percentage decline in funding, dropping 64% in dollar amounts funded.

M&A activity was nonexistent during the quarter, which given the fact that the previous quarter saw only one M&A transaction, did not represent a significant change from the trend line. This is not surprising, given the recent rebirth of the Alternative Energy and Clean Tech sectors. Many of the companies that have been developing technologies and they market dynamics they are selling into are still too new or unproven to warrant significant M&A activity.

## Funding Activity

### Alternative Energy

In the Alternative Energy sector, the largest funding event was for biofuel company [GreenFuel Technologies](#), which received \$92 million from investors. The company is run by Ethernet inventor Robert Metcalfe and is developing algae bioreactor systems that can convert flu gases into clean, renewable biofuels. The other biofuels company that received funding in the quarter was [Coskata](#), which received \$19.5 million in its series B round funded by [Globespan Capital Partners](#), [Khosla Ventures](#), [Great Point Partners](#), [Advanced Technology Ventures](#) and [General Motors Corp.](#)

The greatest concentration of companies to receive funding by sub-sector were Solar companies, with six companies receiving a total of \$116.7 million. Notably, most of these fundings were for early stage rounds – series A or B. Of this group, [Infinia Corporation](#) received the largest amount, a \$50 million series B round.

## Clean Technology

For Clean Technology companies, the quarter saw a 58% decrease in the total amount funded, but an increase in the number of companies funded from 7 to 8. As with the previous quarter, there was one dominant funding event, that of [Elevance Renewable Sciences](#). Elevance has created a new range of specialty chemicals from natural oils, which serve as functional oils, anti-microbials, lubricants and other chemicals. The company received \$40 million from various affiliates of the [Texas Pacific Group](#) of funds and others.

Two other Clean Technology companies that received funding during the quarter were water-focused firms:

- [PureSense](#) – Online controls for managing water, \$2.745 Million
- [Purfresh](#) – Ozone-treated water purification, \$5 Million

A number of water firms received funding in the previous quarter, indicating continued interest in this sector.

## Energy

Venture funding of Energy companies was down sharply, with 10 companies raising \$63 million vs. \$174 million raised in the previous quarter.

For the second quarter in a row, Lithium-ion technology companies received the greatest amount of funding, including the biggest deal of the quarter: [Boston-Power, Inc.](#), which received \$45 million in its third round of institutional funding. Boston-Power is developing safer, longer-lasting lithium-ion batteries and said it would use the funding to scale its business development, marketing, research and development and manufacturing operations to meet demand for its Sonata line of notebook computer batteries.

[A123 Systems](#) raised an additional \$20 million from [GE Energy Financial Services](#) to support its continued battery development. The company received \$30 million in its series B funding in the previous quarter. Total funding to date for the company now exceeds \$120 million.

**Environmental** Environmental sector companies had a reasonably strong quarter, securing \$51 million in new funding among 4 companies.

The major investment event during the quarter was [EnerTech Environmental](#), which received \$42 million in its series B funding round. The company is developing clean combustion technologies for biosolids (sewage sludge) and other organic wastes. Investors in the round included lead investor Citi along with the [Masdar Clean Tech Fund](#) and others.

One of the more unusual companies receiving funding was [Climos](#). The company is using its \$3.5 million series A funding from [Braemar Energy Ventures](#) and others to explore and commercialize large-scale techniques for removing carbon dioxide from the atmosphere using “ocean iron fertilization” by improving the efficiency of natural phytoplankton production in the open ocean.

Table 1

### Venture Funding Activity – 1<sup>st</sup> Quarter 2008

Industry	Total Amount Funded	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Alternative Energy	\$269 Million	+ 33 %	14	- 18 %
Clean Technology	\$52 Million	- 58 %	8	+ 14 %
Energy	\$63 Million	- 64 %	10	- 29 %
Environmental	\$51 Million	N/A	4	+ 300%
<b>Total</b>	<b>\$435 Million</b>	<b>- 13 %</b>	<b>36</b>	<b>- 8 %</b>

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## M&A Activity

There were no M&A transactions involving the four reported sectors during the quarter.

While unusual, the lack of M&A activity is not surprising since the clean tech and alternative energy sectors have only recently (the last 24 months) shown new life due to the rising cost of fossil fuel energy sources which now make these alternatives more cost effective by comparison. Still, many of the investments are confined to the early and middle stages of Seed, series A and series B rounds and thus take time to come to fruition.

Our forecast is that M&A activity in the next 18 to 24 months will pick up, as the technologies become more proven, execution risk is reduced and the market opportunities are better defined.

Table 2

### Venture M&A Activity – 1<sup>st</sup> Quarter 2008

Industry	M&A Transaction Amounts	% Change Vs. Prior Quarter	M&A Number of Transactions	% Change vs. Prior Quarter
Alternative Energy	--	N/A	--	N/A
Clean Technology	--	N/A	--	N/A
Energy	--	N/A	--	N/A
Environmental	--	N/A	--	N/A
<b>Total</b>	--	N/A	--	N/A

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## Notes

This report was prepared by the staff of VentureDeal, LLC.

The information source used was the [VentureDeal.com](http://VentureDeal.com) database. VentureDeal is a venture capital database that provides the latest information about venture-backed technology companies, venture capital firms and transactions in the United States.

The database obtains transaction and company information from a wide variety of reputable public and private sources. While this report is free of charge, users may view the individual transactions supporting the totals herein by subscribing to VentureDeal for \$25.

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