

CONDUIT VENTURES
LIMITED



H207 Conference

Near Term: The Venture Capitalist's View

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Table of Contents

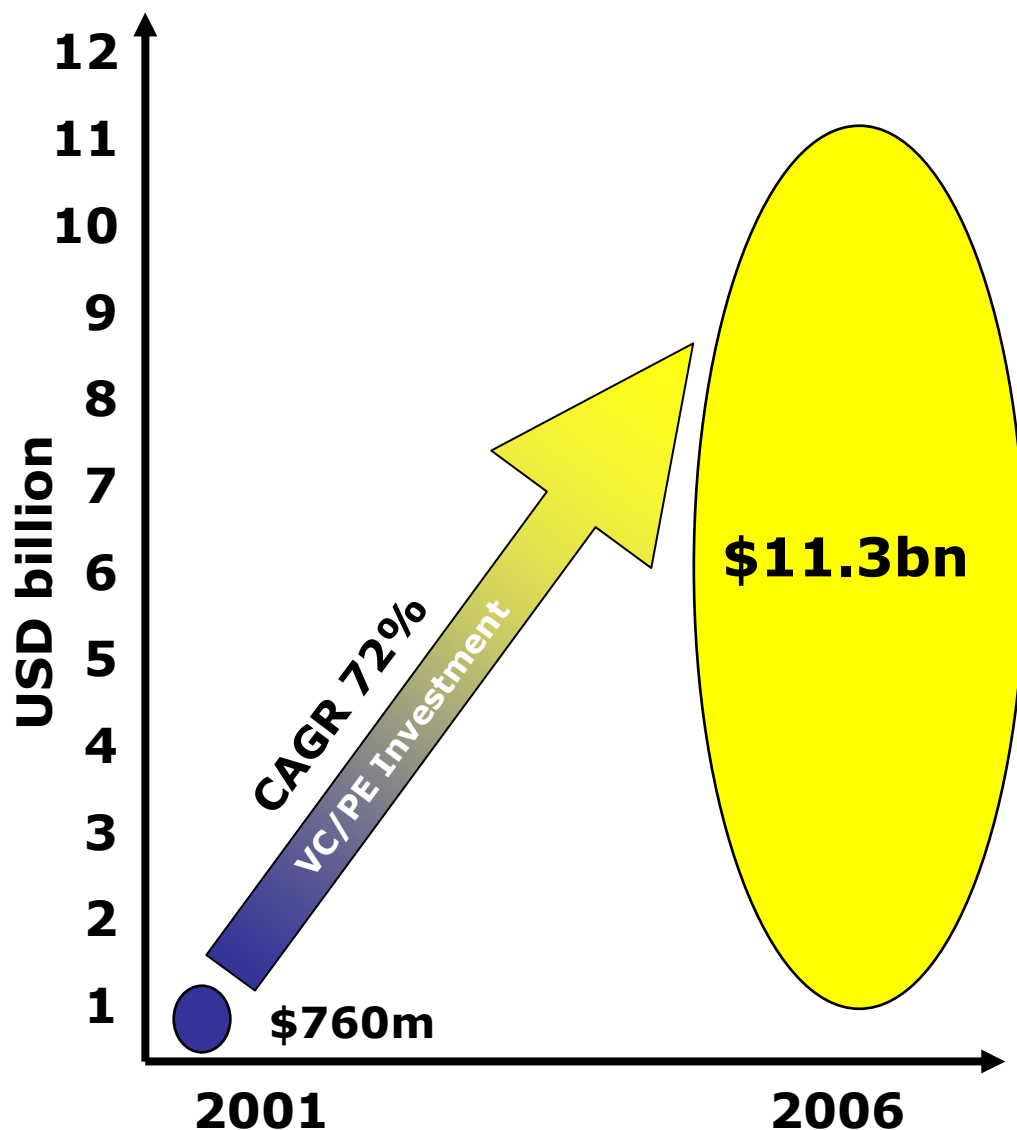
- ▶ **How is the investment space evolving?**
- ▶ **Changes to market timing and focus?**
- ▶ **Analogies to other technologies**
- ▶ **What is the impact of the government?**

Investment Trends

'Cleantech' is a...

- ▶ **Useful category for policymakers, institutional investors and publicists**
- ▶ **Corporate, political and scientific opinions converging relating to GHG**
- ▶ **Clean environment = clean energy = reduction on reliance of hydrocarbons**
- ▶ **However hydrocarbons are and will remain critical to the energy mix**
- ▶ **"Dirty" fossil fuels to become cleaner and will co-exist with broader energy mix (i.e. renewables)**
- ▶ **Global warming, energy security and oil prices have driven Venture Capital and Private Equity investment in clean energy into the mainstream**

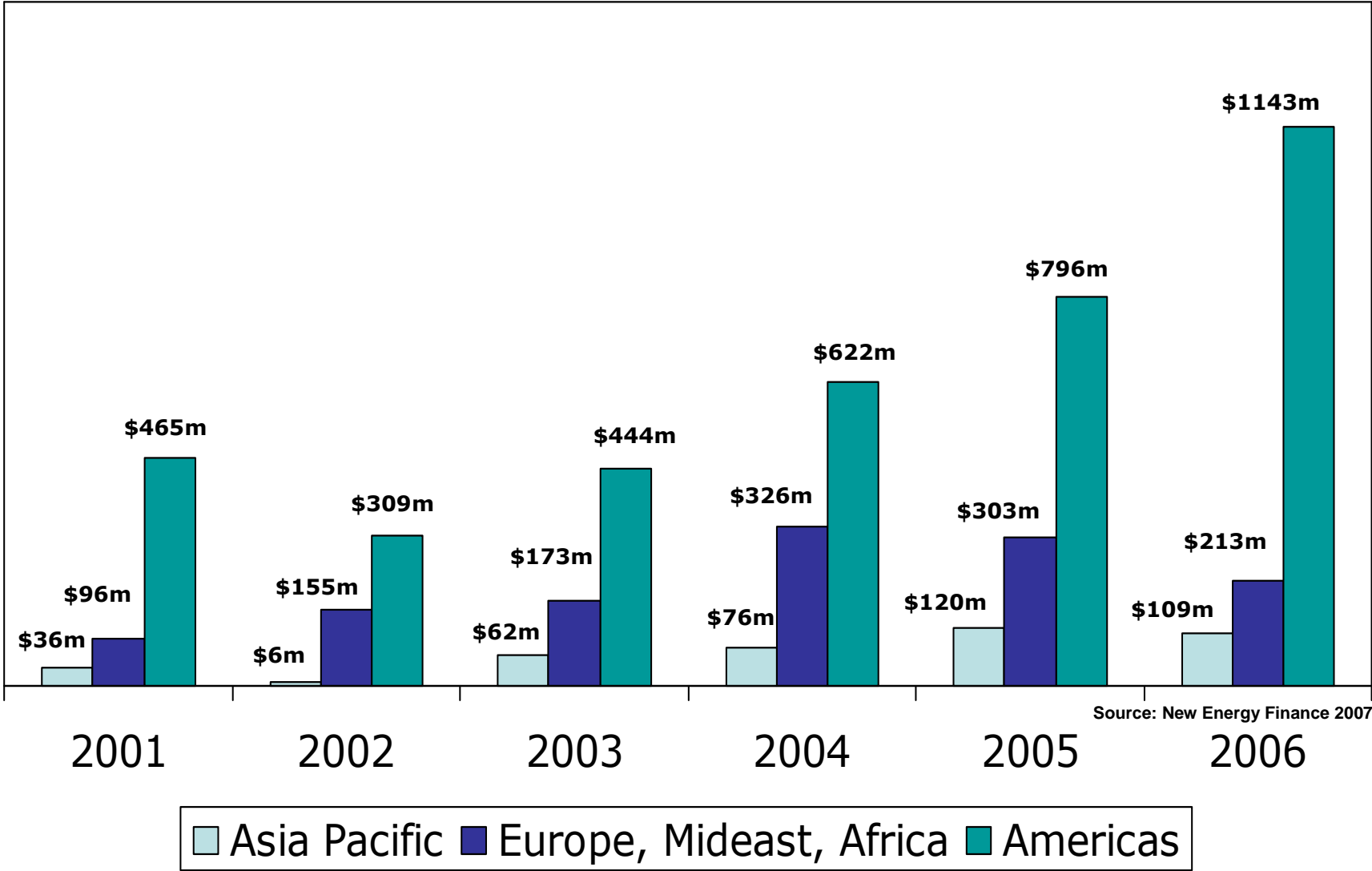
Cleantech is now an established Venture Capital sector



- ▶ VC/PE investment grew from \$760 million in 2001 to \$11.3 billion in 2006 (about 10% in VC)
- ▶ More than 1,250 venture capital/private equity investors worldwide now involved (excl. project developers)
- ▶ The US out-invested Europe by >5x in Cleantech venture capital
- ▶ Main sectors have been photovoltaics, bio fuels, and wind power

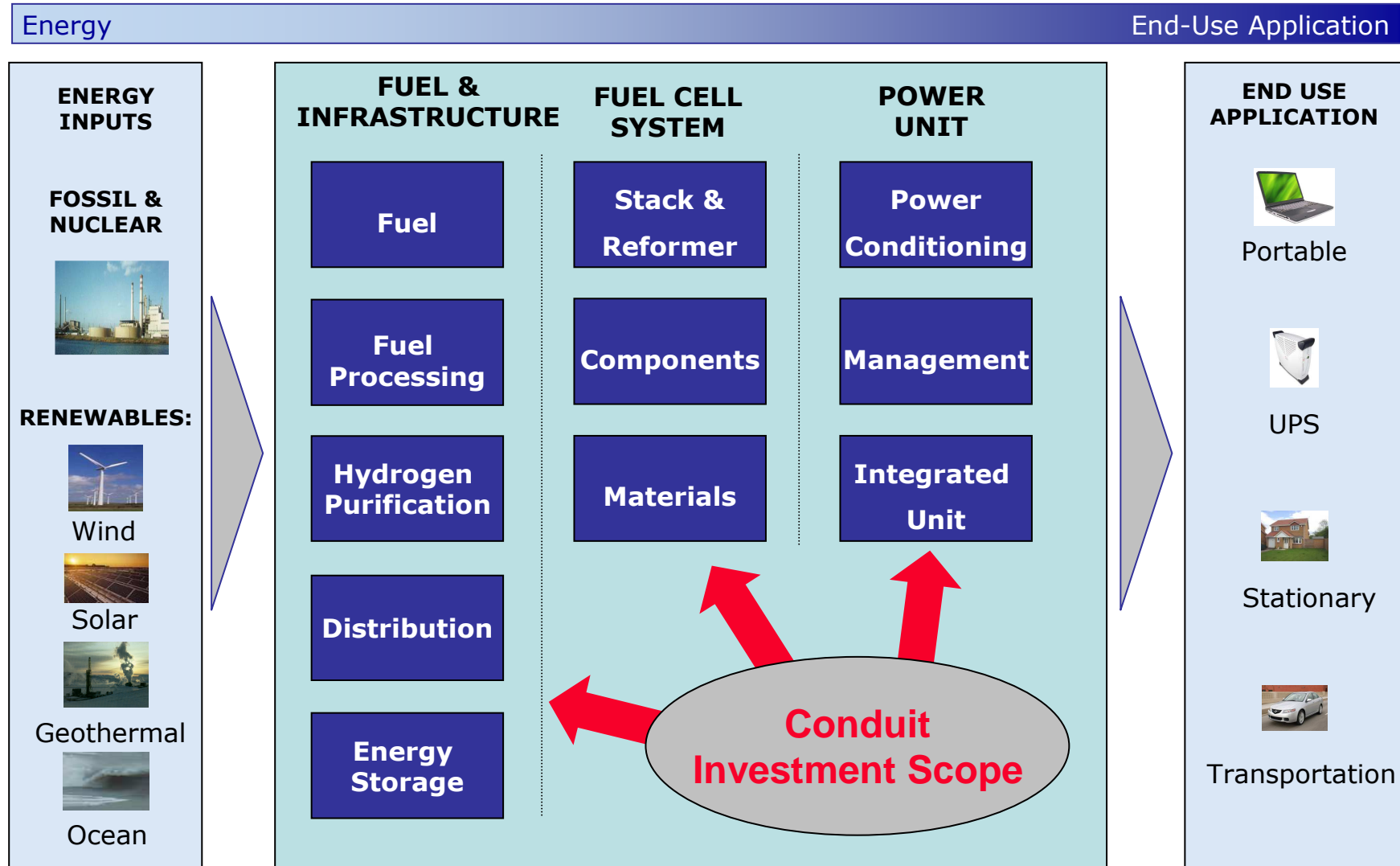
Source: *New Energy Finance*, 2007

Global VC Investment by Region: 2001 – 2006

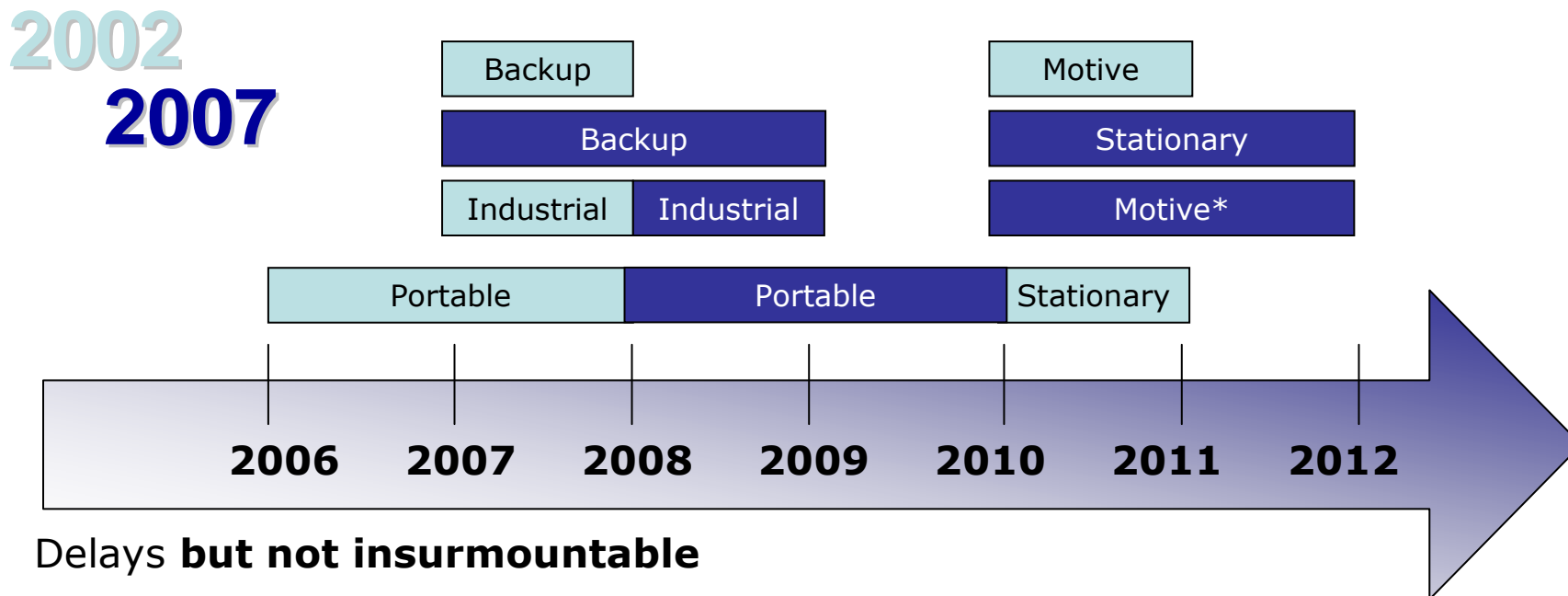


Source: New Energy Finance, 2007. Grossed-up estimate based on disclosed deals.

Conduit Ventures - Investment Scope 2002-2007



Our View of Market Entry...



Delays **but not insurmountable**

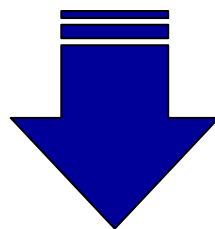
- ▶ **Chicken and Egg:** Answer from FC developers, fuel cells come first, fuels second. Still the case, now fuels are a crunch that FCs further developed
- ▶ **Technologies:** PEM and DMFC more mature in 2002. SOFC longer development times and fragmented supply chains. Now more integrated
- ▶ **Market:** Carbon is a larger issue. New players/demand sources encourage focus on carbon

**All electrics 2010/12 w FC afterward*

Analogies to Other Technologies

Closest analogy is Biotech; however, some important differences:

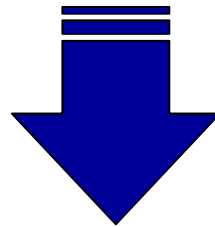
- ▶ **Biotech is “contained” in the healthcare sector**
- ▶ **Cleantech is pervasive across markets and sectors**
- ▶ **Product launches in biotech and cleantech are both lengthy processes involving innovation in the sciences**
- ▶ **However, while biotech requires regulatory approval, Cleantech needs to meet durability, product robustness, and cost challenges**



Potentially more challenging but prizes are potentially bigger

What is the Impact of Government?

- ▶ **“Make the environment a voting issue”– Bill Clinton**
- ▶ **Supportive but fragmented: city, region, state/province, national, supranational, ...**
- ▶ **Most visible support to is from U.S. Dept. of Defence**
- ▶ **EU support smaller on country-by-country basis, challenges with trans-national EU funding**
- ▶ **Wish list: less cooperation requirements for EU grants, more coordination among national and local policy, product warrantee support**



**Important for concept and product launch support,
but businesses must stand on own two feet**

Summary

- ▶ **Cleantech is mainstream**
- ▶ **Focus has been solar, bio fuels, wind**
- ▶ **Fuel cell delays challenging but not insurmountable**
- ▶ **“Dirty” fossil fuels to become cleaner**
- ▶ **Analogies are challenging**
- ▶ **Government is currently playing a key role**
- ▶ **Many opportunities for entrepreneurs and investors**

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Thank you for your interest.

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