

Limited cash available for our big ideas

The country's investment cake is too small for every start-up scheme to get a piece, writes **Claire Galea**

AT the mention of green venture capital, wind and solar power typically spring to mind. Yet the exciting business opportunities within the arena are multifarious. Venture capital companies are placing their bets in exciting new areas.

Starfish Venture Capital manages \$400 million on behalf of investors and focuses on medical devices, information technology and communications, and clean technology. Clean technology covers renewable energy, water management and environmental management and, of the three, investment principal John Dyson favours water management.

He is particularly interested in Queensland-based Senviro, a start-up company that has developed sprinklers activated by sensors when soil moisture falls below a certain level.

"We really like the water area and, out of necessity, it is something Australia does very well," Dyson says. "We believe the growth in clean technology is inevitable because it is something this country and the whole world need to do much better.

"The good economic returns that will be generated from building those green technology firms will drive very strong economic returns for investors."

Although only 12 per cent of total funds under management is invested in clean technology, 40 per cent of the Clean Tech II fund is invested in this area and the fund is only 50 per cent invested. Dyson believes the clean tech arena will grow in importance and hopes 30 per cent of funds under management eventually will be in clean technology.

"Clean tech is still a relatively young sector but has grown substantially over the past five years. We anticipate that it will continue to grow at an even greater rate over the next five to 10 years with increasing awareness and interest in this area," Dyson says.

Cleantech Ventures is a dedicated green venture capitalist with \$80 million under management. Investment principal Jan Dekker points out that the company focuses on this area because of its firm belief in the sector's growth potential.

"Comments that you hear about clean tech is that it is another dotcom bubble. But the fundamental underpinning drivers of this — space, oil and water shortages and the greenhouse effect — are sustainable and will be reflected in the market. That is why we have decided to focus on this area. Where were the underlying drivers for the dotcom market?" Dekker says.

While Dekker also believes water is a big growth area, particularly evaporation avoidance in desalination plants, he particularly likes the issue of battery energy storage for renewable energy companies.

An issue for solar thermal and wind

"Battery storage is particularly important for wind farms because they cannot secure production and can't store energy on-site. So they cannot guarantee to deliver power at peak times when it is most profitable. With efficient energy storage you would have a much more competitive renewable energy industry," Dekker says.

Sustainable Venture Partners claims to be Australia's only commercialisation and venture capital advisory firm dedicated to working exclusively within the emerging Australian and Asia-Pacific clean tech markets.

Founding partner Fiona Waterhouse helps in the establishment, acquisition, advising and advocating for clean tech ventures, and regularly advises governments at all levels on sustainable industry development.

With any potential investment opportunity, Waterhouse says, she looks for three things: "Is it financially better than what is already available? How does it stack up within the current market paradigm? And can it demonstrate some kind of tangible eco-efficiency benefit?" she says.

The results are an interest in Spectrum Renewable Energy Australasia, which is in the early stages of commercialising a packaged biogas plant to farm methane biogas from the anaerobic digestion of organic waste.

Only about 12m long and under \$100,000 for the base model, the plant can deal with up to 10 tonnes of waste a day. Its target market is farmers and livestock farmers treating effluent waste as well as food processors and large corporate canteens.

However, regardless of how revolutionary and world changing these new ideas may be, some industry commentators feel that many will struggle simply because of the lack of venture capital support in Australia.

Australian CleanTech facilitates and delivers projects, and provides services to government agencies to help stimulate investment in the clean tech industry. The company also provides access to the Australian Cleantech Index of 77 Australian Securities Exchange-listed companies (market capitalisation of more than \$10 billion).

Director John O'Brien says Australian investment conservatism means there are few pre-revenue opportunities for start-up companies in Australia. He warns that many forward-thinking companies with innovative ideas are looking to overseas markets for backing. "Australia just does not back early-stage technologies," he says. "Venture capitalists are far more adventurous in the US and Europe, although they do have more money to spend. They are backing early technologies such as battery technology and algae biofuels, for example, which would be very hard to fund in Australia.

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