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Macroeconomic Drivers Reviving Cleantech Investment

Staff | Oct, 25, 2013

Macroeconomic drivers have reignited cleantech investment and expanded its reach across sectors and industries, according to research by cleantech research firm Kachan & Co. and non-profits As You Sow and the Responsible Endowments Coalition.

Population growth, increased resource scarcity, increased urbanization, energy and resource dependence, climate change, and risk mitigation are among the continually intensifying cleantech drivers detailed in Cleantech Redefined: Why the Next Wave of Cleantech Infrastructure, Technology and Services Will Thrive in the 21st Century.

The opportunities for investing in cleantech are lucrative and the potential for growth is "tremendous," especially in contrast with fossil-based resources, according to report co-author Danielle Fugere.

Water, for example, has historically been one of the least invested categories of cleantech, hovering around 4 percent of all cleantech venture capital allocated, perhaps owing to the absence of crisis-level water events that have affected Western fund managers and investors directly, the report says.

But population increases and climate change mean the amount of water used as a percentage of total water available is likely to rise substantially by 2025. This means that cleantech investment opportunities lie in technologies for water generation, treatment, transmission, efficiency and monitoring and compliance, the report says.

Transportation is another sector that offers cleantech investment opportunities, the report says. Opportunities exist in electric vehicles, traffic management and public transit. The report says multiple juristictions are currently planning projects such as light-rail or purchasing buses, offering investment opportunities in supporting technologies.

Environmental Leader's sister publication, Energy Manager Today, has written about the energy-specific findings of the report.

In December 2012 Kachan & Co. predicted global cleantech would "backtrack" in 2013, with venture capital investments declining even further than it did in 2012.

The company predicted that cleantech venture capital investment would never return to the highs it achieved before the financial crisis of 2007-2008. In 2013, the company predicted that the sector would lose venture investors because of disappointing returns, poor policy support worldwide and a lag time in the pullback of equity and debt investment.