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Venture capital investments in clean tech fall by half in 2009

Kansas City Business Journal - by [Steven E.F. Brown](#) Contributing Writer

Venture capital investment in clean-tech businesses fell by 45 percent between the third and fourth quarters and by half in 2009, according to an [Ernst & Young LLP](#) report.

The report said U.S. venture investing in clean tech fell to \$2.6 billion in 2009, down 50 percent from the prior year. The number of deals fell 16 percent compared with the boom year of 2008.

Kansas was left empty-handed last year, and only one Missouri company received an investment, a \$10 million infusion that came in the fourth quarter, the report said.

But those numbers may be misleading, said Joel Wiggins, CEO of the Enterprise Center of Johnson County. Although the area hasn't typically been a hub of venture capital activity, that doesn't mean it lacks clean-tech startups, he said. Local clean-tech companies have found other ways to grow.

Last year, a Lee's Summit advanced-battery-maker, [Kokam America Inc.](#), formed a joint venture with [The Dow Chemical Co.](#) (NYSE: DOW), a large Michigan-based company that had 2009 sales of \$45 billion. That joint venture, [Dow Kokam LLC](#), [bought Kokam](#) in November. Baltimore-area investor [Townsend Capital](#) LLC also was involved, having [bought a minority stake](#) in Kokam in late 2008.

And Lenexa-based EcoFit Lighting, an energy-efficient streetlight developer, is [ramping up production](#) with the help of angel investments.

Last year was a tough year for venture investors as a whole. Venture capitalists invested \$17.7 billion during the year, the lowest amount since 1997, according to a January report by [PricewaterhouseCoopers](#) and the [National Venture Capital Association](#), which used Thomson Reuters data. The NVCA said that with economic improvement, investments probably will start again in the hot areas of clean technology, life sciences and information technology.



According to the Ernst & Young report, investors put more into energy efficiency companies than solar power in 2009 — 61 deals, up 11 percent from the previous year. John de Yonge of Ernst & Young called energy efficiency “the sweet spot” of VC investing because of its lower financing requirements and quicker returns compared with solar startups.

Energy efficiency drew the most VC clean-tech dollars in the fourth quarter — \$252.8 million in 22 deals, up from \$133.7 million in 14 deals in the third quarter.

Investments in businesses working on ways to generate power fell to \$118.5 million in 11 deals in the fourth quarter, down from \$316.5 million in eight deals in the third quarter.

Investments in transportation totaled \$33.8 million in the fourth quarter and \$362.7 million in 2009.

The San Francisco Bay area dominated clean-tech investment in 2009, getting \$1.2 billion, with Southern California coming in a distant second at \$329.5 million. New England was No. 3 with \$283.7 million for the year.

Stimulus money and tax credits from the U.S. government have boosted clean tech, with \$2.3 billion going to 183 clean-tech manufacturing projects in 43 states, according to the report. Kokam got some of that money, receiving a **\$161 million grant** from the **U.S. Department of Energy**.

Venture-backed projects got \$402 million.

Mergers boomed in the clean-tech arena late in the year. Almost half of the mergers and acquisitions and cash spent in the field — 22 of 53 transactions, and \$1.7 billion of \$3.5 billion total — were in the fourth quarter.

Steven E.F. Brown writes for the San Francisco Business Times, an affiliated publication. Kansas City Business Journal staff writer Suzanna Stagemeyer contributed to this report.

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