



Creating Clean Companies

Key Success Factors for the Incubation of Clean
Energy Technology Companies – June 2006

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1. Executive Summary

At New Energy Finance, we believe there is a vital role to be played by incubators in developing the next generation of clean energy companies. These organisations specialise in nurturing technology innovations out of the laboratories, be they in universities, national facilities or the central research functions of the big corporate players, and on their way towards commercialisation. In this white paper we present the results of our second worldwide survey of incubation activity in the clean energy industry, and look at the key factors for successful incubation of young companies.

In a market growing as rapidly as the clean energy industry, it is critical that there should be a constant stream of technology innovation. This cannot be the preserve only of major corporations, nor can it be managed centrally through publicly funded research. Experience from other industries, such as telecommunications, software and biotechnology, has shown that the rate of innovation and speed of commercialisation are dramatically accelerated by the presence of a healthy population of earlier stage companies.

The reasons why incubation, which developed something of a bad reputation during the dotcom boom years, is particularly important in the clean energy space are various:

- Many clean energy technologies can be expected to take a decade or more to graduate from the germ of an idea to a full-scale roll-out as part of the world's energy architecture.
- Return on investment for financial investors may not be achievable in the three to five year time frame traditionally held dear by the venture capital community.
- Many new energy technologies are refinements of existing approaches, and do not necessarily offer the explosive returns desired by early stage risk capital investors. Others require large-scale pilot facilities.
- There may be a lack of experienced entrepreneurs and investors who understand the dynamics of the global clean energy industry and have the skills to build a business.

New Energy Finance has identified 114 business incubators around the world that have as their only or significant focus the building of businesses and commercialisation of clean energy technology from a very early stage. This represents an increase of just over 28% since we first undertook a similar survey in August 2005.

Not only has the number of incubators active in the space risen rapidly, but so has the number of companies under incubation. Our survey identified no fewer than 217 companies now either under incubation or having successfully graduated from the incubation process and raised independent funding – an increase of nearly 75%.

There are already a number of success stories – clean energy companies well on the way to profitability after benefiting from incubation services – but there is an opportunity, and a need, to create more. New Energy Finance has identified six key success factors for the incubation of clean energy technology businesses:

- The existence of a national legislative environment supporting clean energy;
- Direct public funding of technology and company development;
- Links with established local research communities;
- Strong local entrepreneurial and early stage financing networks;
- Links with a mature venture capital industry with an understanding of the drivers of clean energy business;
- Clear commercial focus and entrepreneurial culture.

* Excluding China – but see China section, Page 7.

2. Background & Methodology

Definition of Incubation

Business incubation can be defined as a support process that accelerates the development of start-up companies by providing an array of targeted resources and services both from within the business incubator and through its network of contacts.

The essential function of incubation is to facilitate the commercialisation of promising technologies and/or commercial concepts by providing infant businesses with a range of support services to help move them through to the next phase in their development. There is no standard clean energy incubator model: the package of services offered range from basic facilitation – the provision of office space, technical facilities etc – to a much more hands-on service including business consultancy, mentoring, access to potential financing sources for next round funding, or even early stage financing.

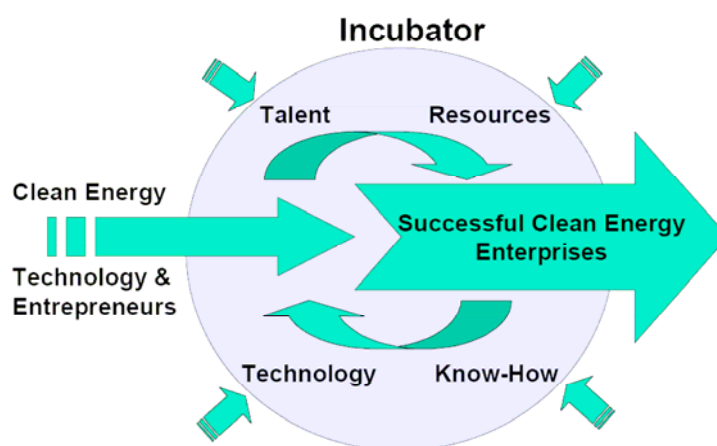


Figure 1: The Clean Energy company incubation process
Source: NREL

Survey Process

Initial research was carried out via analysis of the New Energy Finance Desktop – a proprietary database covering financial deal activity in the clean energy industry. The Desktop covers all sectors, all asset classes and all geographies of clean energy investment, and is able to generate deal lists, trends and time-lines, key players, as well as acquisition and company screens.

A 30-strong analytical team, with fluency in 26 languages, has developed this database of activity in the global clean energy industry over a number of years. As at May 2006, the team has logged more than 13,000 organisation records, 8,000 people, 3700 investments, 3200 clean energy power projects, 500 funds investing in the sector as well as in excess of 230 publicly funded grant programmes supporting developments in the clean energy and energy technology around the world.

With initial analysis completed, a survey was undertaken of those involved in the industry, as well as new information added from telephone and email contact with incubators, together with information gleaned from websites and other secondary sources. The survey does not claim to be a definitive analysis, rather an indication of the number and characteristics of incubators and their portfolio companies, as well as the role of the incubation market in clean energy and energy technology development. Many incubators are constrained from discussing incubatees due to considerations of commercial confidentiality.

3. International Comparison

The greatest number of incubators supporting clean energy operate in the US, followed by the UK and Germany; this is reflected too in the number of incubatees (see Figures 2 & 3). The US has 40 specialist groups, while the UK has 14 and Germany 13, making them the largest clean energy incubation markets. Other markets are developing rapidly in other continental European countries, as well as in Israel.

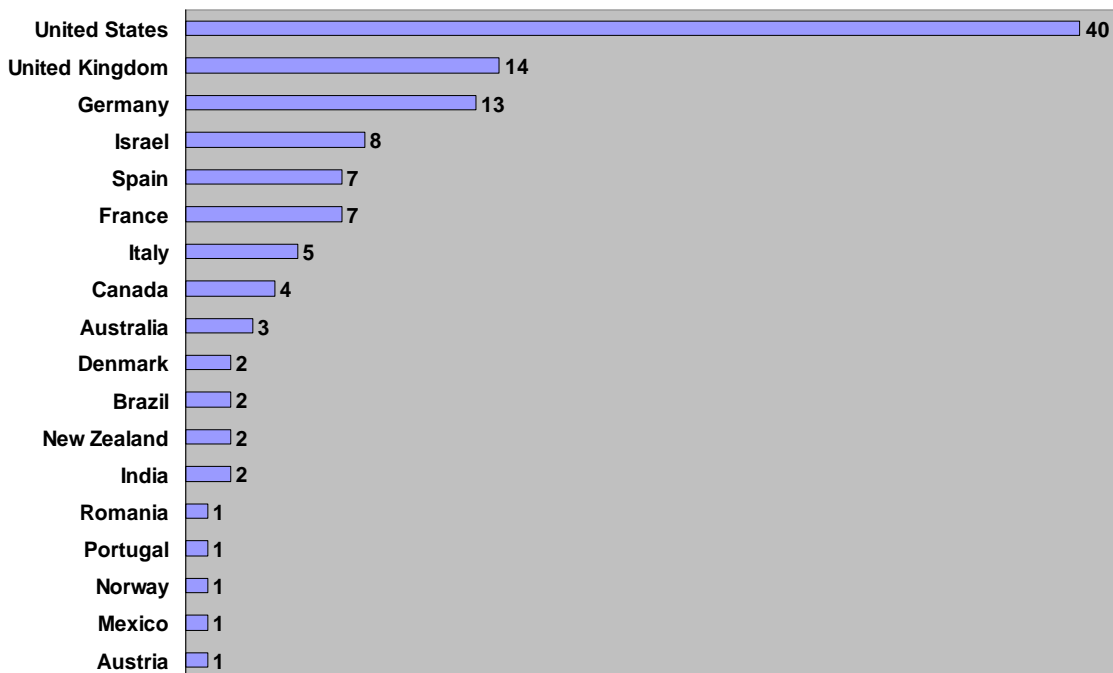


Figure 2: Number of Clean Energy Incubators by Country. Source: New Energy Finance

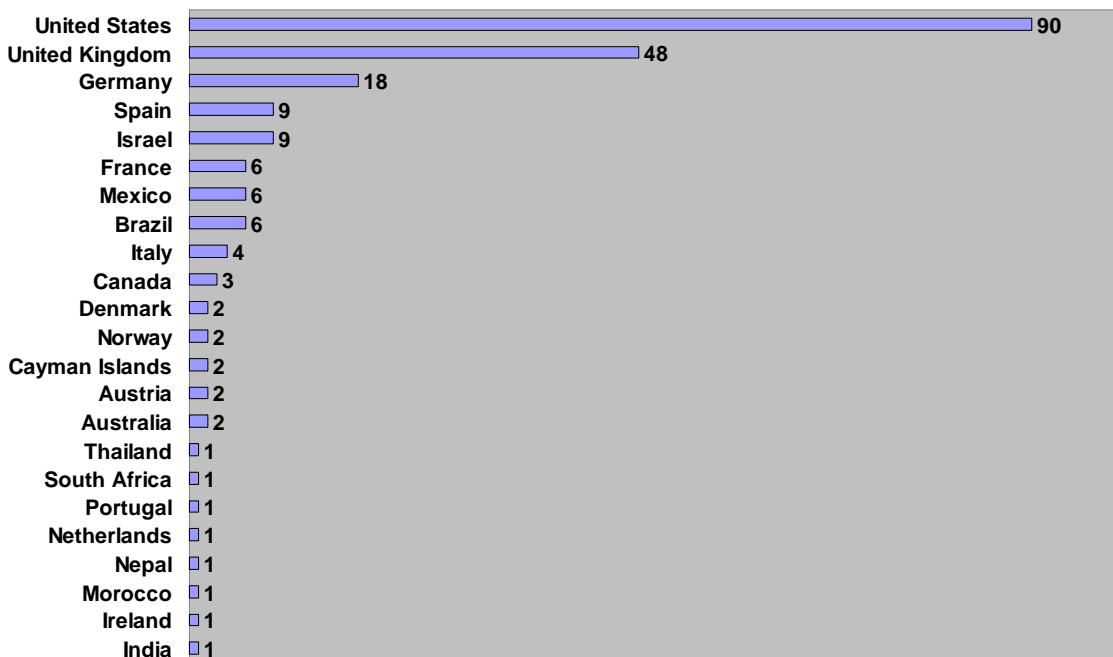


Figure 3: Number of Clean Energy Incubatees by Country. Source: New Energy Finance

1.1. UK

In the UK central government policy supports the development of clean energy technologies to a degree, yet very few clean energy businesses were going through the incubation process prior to 2004. Despite the fact that many incubators in the UK are funded either privately, or via universities, the major kick-start to clean energy incubation only came in 2004 when the Government-funded Carbon Trust began the process of investing in start-ups, through grants to existing incubators Angle, Imperial and Life-IC. A fourth – Rowan, affiliated to the University of Warwick – is soon to be added to this list.

1.2. Germany

In Germany, central government policy supports the development of renewable energy technologies, and very early stage companies rely fairly heavily on government or commercial support. This is reflected in the number of incubators that take an equity stake in their member companies: in the UK it is common practice to take equity stakes, whereas it is very unusual in Germany. The overwhelming majority of German incubators are not-for-profit and, like German companies, are dependent on local and state funding, as well as academic and research associations.

1.3. Rest of Europe

Spain and France are the next most active markets with seven clean energy incubators apiece, while Italy follows with five. In each of these countries the clean energy incubators do not, in general, take equity stakes. The survey identified seven clean energy incubators in Israel which, at first glance, may seem surprising given its size. However, the country has a strong interest in energy security and a venture market broadly based on the US model. As a result, the Israeli clean energy incubation market is relatively strong compared to its similarly sized peers.

1.4. US

Despite having the world's most advanced venture capital market, only a relatively small number of incubators in the US take an equity stake in their portfolio companies, at only 10.0%. However, there are a higher proportion of US incubators in clean energy which do take equity, although this can be nominal.

Public funding was a major driver behind the incubation of clean energy businesses in the US and continues to be important. For example, in the three years to 2004, the US DOE invested USD 2.5m in incubators belonging to the National Alliance of Clean Energy Business Incubators (NACEBI), which was established in 2000 by the US National Renewable Energy Laboratory (NREL). Many of the early clean energy incubators were funded out of local or national government development aid, or from charitable foundations, and were set up on a not-for-profit basis. They therefore tend not to take equity stakes in the companies they incubate, even in the US.

While the first US clean energy incubator was formed in 1994, the major step-change came in 2000 with the formation of the NACEBI, created under the auspices of the US DoE's National Renewable Energy Laboratory (NREL), and now with 12 members nationwide. This is against a backdrop of 1,450 business incubators in the US (according to the US National Business Incubation Association) from an estimated 4,000 business incubators worldwide, or 35.0% of the estimated global total.

While publicly funded support has been largely absent at a federal level, it is prevalent at the city and state level. There are a number of privately funded incubators, but even where private funds are used, the incubator is frequently supported by tax breaks or regional funds.

Federal support is expected to increase, to promote development within the sector alongside state funding. The 2005 US Energy Bill contained various tax credits and provisions for renewable energy and energy efficiency available between 2005 and 2015, including tax breaks of USD 2.7bn to promote energy efficiency, USD 2.9bn for renewable and clean energy incentives and USD 3.1bn for improving electricity supply reliability.

However with the growing diversity of incubator types focusing on clean energy, a growing number take nominal positions to help cover rent, basic services etc, while a small minority take much larger stakes. This usually occurs where the incubator may also have a VC arm to assist their businesses move to a more mature phase in their development. It is also likely that as the clean energy market matures as a whole, more privately funded incubators will take equity stakes.

1.5. Canada, Australia, New Zealand

Perhaps surprisingly, the survey did not reveal many clean energy incubators in Canada, New Zealand or Australia despite the number of more established clean energy businesses in each of these countries. In both Australia and New Zealand this can be partly attributed to the lack of a developed follow-on venture capital market. It is also closely related to the fact that, relatively speaking, the economic impact of rising energy prices has not yet begun to bite as strongly as in the US and Europe.

In Canada, there is a very strong national funding and support programme, which to a certain extent obviates the requirement for specific incubators. Support programmes include the National Research Council (NRC) of Canada, Sustainable Development Technology Canada (SDTC), a fund set up to support the development and demonstrations of clean technologies generally, as well as regional governments with plans to specifically support the development of technologies and SMEs.

1.6. China

By the end of September 2004, there were more than 500 incubators in China; of which there were over 380 Innovation Centres (incubators providing relatively comprehensive services including office space, management and financial support); 45 Overseas Students Pioneer Parks (mainly for overseas students to establish their own businesses after they return to China); as well as 58 University Science & Technology Parks, the Chinese equivalent of university incubators.

There were 31,385 incubatees at that time, with 9,565 companies fully progressed and operating as stand-alone companies. Of the 380 Innovation Centers, 98 centers have been registered and recognised by the Ministry of Science and Technology (MOST) as national level incubators.

However the picture in China can be misleading. In many cases these organisations were simply working on the transfer of operations from the state into the private sector - a very different process from incubation as defined for the purpose of this survey.

Despite this, New Energy Finance has determined that 163 Chinese incubators have been earmarked for promotion by China's national renewable energy policy. Whether incubators at this level can take equity stakes in their portfolio companies is not yet clear, or indeed whether there is much grant funding support from the government. We estimate that there has been a broad combination of the two in the majority of cases, alongside the principle that equity stakes will be taken where a real opportunity exists for development.

We estimate that from these 163 incubators, 108 are government-funded, 44 are within universities and 11 are private sector-funded. The exact number of incubators already actively developing clean energy technology is difficult to determine. However, the fact that the incubators were established by the Chinese government coupled with the declaration that one of its main objectives was to promote technology development and accelerate the move towards alternative energy supplies, leads us to believe that a high proportion will actively develop opportunities within the sector.

This interest has not yet translated into active support - based on our research we estimate that only around a fifth of China's incubators have so far begun actively exploring renewable energy technology businesses, and that many of the remainder are expected to become more closely involved over the next few years.

China has been excluded from the charts because the numbers involved and the logistical difficulty in qualifying the exact activities of the Chinese incubators risks distorting the survey.

4. Sectors of Activity

NEF identified 217 clean energy companies around the world (excluding China), currently being incubated. The technology sector which dominates is solar, with over 25.0% of companies under incubation in that sector, far ahead of its closest rival, fuel cells (see Figure 4). Some companies are working in more than one sector.

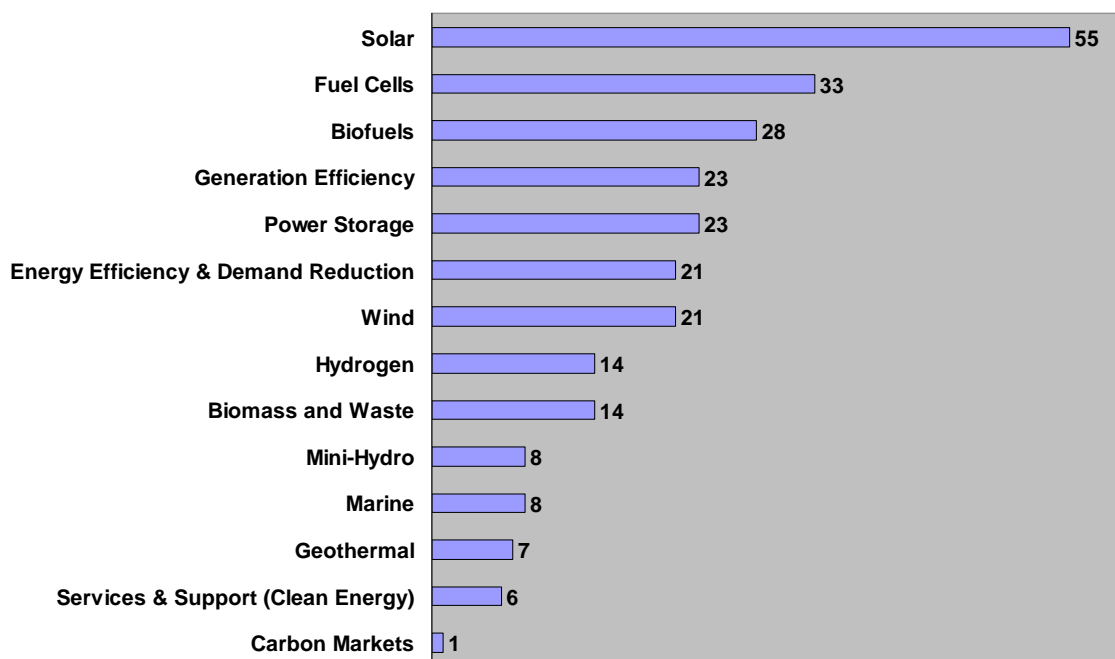


Figure 4: Clean Energy Incubatees by Sector; figures do not add to 217 because companies may operate in more than one sector. Source: New Energy Finance.

While the global picture is very clear, there are differences from country to country reflecting the different maturity of the venture capital market and the different legislative and fiscal supports in place. In the US for example, the solar sector also provides the largest number of clean energy businesses and technologies under incubation. This is in part due to increasing legislative support for solar PV system implementation. Many states, most famously California, have introduced legislation and fiscal support of some kind, to encourage the roll-out of solar power. Solar technology is being hot-housed in the US, as the market currently lags behind Europe. In the US biofuels is the second most active sector, rather than fuel cells, as the country embarks on a crash programme to reduce dependence on imported oil.

In the UK, fuel cells head the list of technologies being incubated, with technologies focusing on generation efficiency, energy efficiency & demand reduction being the next most popular. While solar dominates worldwide as the sector with the largest number of companies currently being incubated, it constitutes a much smaller proportion of companies in the UK. This makes sense where changeable weather conditions all but rule out solar PV for commercial power generation level, and where there is no specifically supportive legislation.

Solar dominates activity in Germany, even more dramatically than in the US. In Germany the solar feed-in tariffs have propelled interest in the sector, to the point where solar companies under incubation number more than double the number under incubation of the nearest sector. Fuel cells is the sector where the next focus on development has been placed, along with energy efficiency & demand reduction

It is worth noting that while in Europe there is a strong focus on efficiency and demand reduction, the US focus remains on technological breakthroughs which will enable further generation, rather than a reduction in demand.

5. Funding Models

The funding models for incubators set up around the world varies, with some being purely private-sector, others being either publicly funded or linked to universities or national labs (see Figure 5).

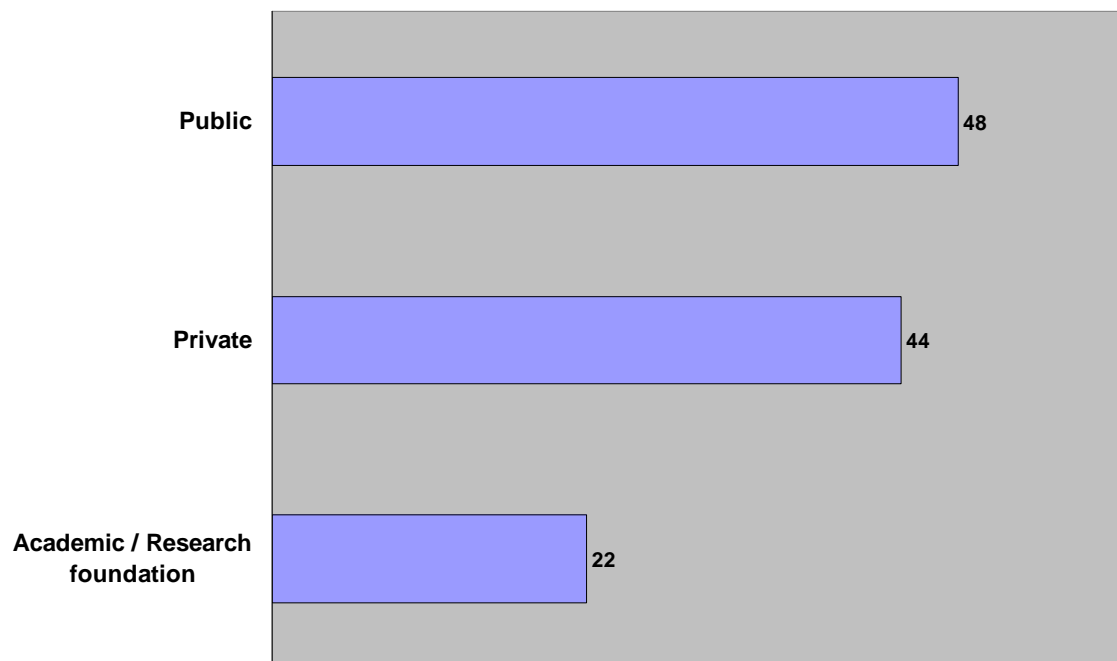


Figure 5: Incubators by Funding Type. Source: New Energy Finance

While there is no doubt that public finance has led a major role in the development of the clean energy and energy technology incubation market, it seems that the university and research-institute led technology transfer route has proved to be one of the most efficient mechanisms for graduating business start-ups from incubation to follow-on finance and development.

In both the US and the UK a significant proportion of the most successful incubators are associated with and/or funded by universities, and those close relationships ensure the best R&D can be more easily transitioned to commercial product, while granting fledgling companies access to university expertise. In Germany, the Fraunhofer Venture Group plays an analogous role across Fraunhofer's 59 research institutes.

The extent to which these institutions provide direct financial assistance varies, as we have noted earlier. Where, as is more usual, universities are not offering seed finance themselves, as this can be facilitated through their contacts with local businesses and angel networks (for example in the UK is the case with ISIS and Cambridge Enterprise).

The UK and US have most successfully pursued the university-based incubator model. Incubators at UK universities have demonstrated considerable success in clean energy; one example is Imperial Innovations' successful listing of its portfolio companies Ceres Power and Turbo Genset. The large majority of incubators in nearly every country examined, including the US, have a degree of government funding, with the exception of Spain. It has more privately-funded incubators active in the renewable energy sector than any other type.

6. Success Stories

One of the best ways to gauge the success of an incubator is by the number of successful exits achieved. While the market is at a sufficiently early stage that few incubators have long track records in clean energy, there has been sufficient activity to show that the public finance and university assisted approach has been most successful (see Figure 6).

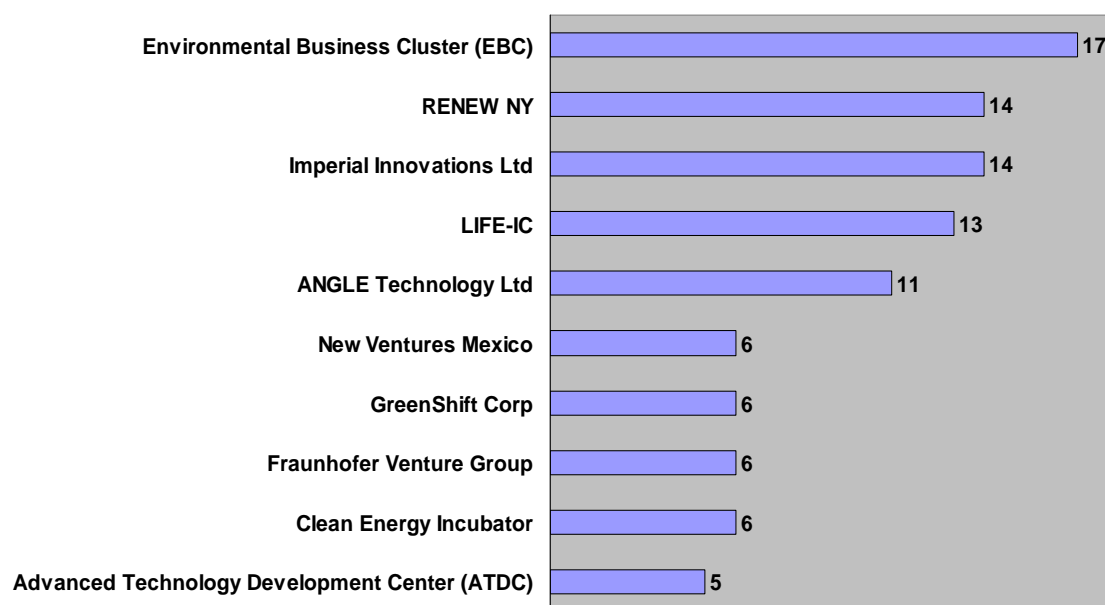


Figure 6: Top Ten Clean Energy Incubators by Size of Portfolio. Source: New Energy Finance

The US and the UK have the most successful incubation programmes, under the auspices of the NACEBI and Carbon Trust respectively (see Tables 1 and 2)

The following table compares aggregate performance data from the NACEBI clean energy incubators in 2004 and 2005 and shows the remarkable growth achieved in only one year:

Table 1: Number of NACEBI-incubated companies and outcomes		
	July 2004	August 2005
No. CE Companies	99	78
No. Graduate Companies	38	57
No. Company Employees	1,158	1,595
Capital Raised	\$67.1 m	\$122.9 m
Revenues generated	\$122.3 m	\$235.1 m
State money invested	\$6.3 m	\$9.2 m
Other leveraged funds	\$11.9 m	\$35.6 m

Source: NACEBI

In the UK, 36 start-ups have been through the Carbon Trust incubation process since 2004. Of these, 14 have already raised GBP 16.7m of further investment (not including those which have been floated on AIM) on a total Carbon Trust investment to date of GBP 1.7m. Jonathan

Bryers, Carbon Trust's Head of Incubation Investment, emphasises that "from the Carbon Trust's perspective, our money has been leveraged to excellent effect." At the same time the Fraunhofer Venture Group, which started business incubation in 1999, has incubated 110 companies and filed 4,500 patents based on the developments of the different Fraunhofer Institutes (although obviously this covers all businesses, not only clean energy).

To give an idea of the mix of businesses within these incubators and the stages at which they stand in the process, the following table shows information for Angle's Carbon Trust incubation programme (i.e. excluding its non-Carbon Trust businesses):

Table 2. ANGLE, Carbon Trust Incubator, incubatee list		
Name of Company	Type of Technology	Status
ACAL Energy	Fuel Cells	Developing product seeking funds for next stage
AquaEnergy	Offshore wave energy converter	Successfully completed financing round
Clear Process	CO ₂ extraction membrane	Seeking licences; undertaking contracts
Clearpower Technologies	Offshore wave energy converter	Successfully completed financing round
CMR Fuel Cells	Fuel Cells	Successfully raised £11.5m on AIM
Ilika	Materials discovery	£1.5m successful equity round, May 2006
Iskra	Micro wind turbine	Already trading looking for financing to expand market
Oxford Catalyst	Catalysts	AIM flotation: £65m valuation – got £15m from market for development
St. Andrews Fuel Cells	Fuel cells	£300k successfully raised
TMO Biotec	Bioethanol	Secured funding
University of Bath Research Project	Electric motors	Early stage
Source: Angle Technology Ltd		

7. Key Success Factors

As results from the NACEBI and the UK's Carbon Trust-funded incubation programme show, in the past two to three years remarkable success has been achieved in graduating clean energy companies to the next phase, securing second round funding from VCs or, in a few instances, achieving a successful flotation. In the process, public funding has been leveraged to great effect.

Given the increasing inflow of new business ideas and technologies into the incubators, it looks as if this process is set to continue. Given the rigorous commercially-oriented focus which the leading incubators are adopting, there seems little chance that clean energy will become the next boom and bust debacle characterised by the dot com bubble of the late 1990s.

The diversity of the incubation model itself is one of its key strengths, as is the mix of public and private sector sources of funding available, and the growing (if not yet fully evolved) readiness of the VC and angel communities to accept clean energy businesses into their portfolios once they graduate.

While there are different ways to achieve this, the success factors that the best known incubators seem to share are government support in terms of funding, strong networks of private business figures and access to strong research and development facilities through universities, with the ratio dependent on the requirements of individual markets.

Perhaps the most important lesson to come from the survey is that there is an opportunity for venture capital and private equity in the incubator market. However, in order to build up the incubator network and technology flow sufficiently, it needs both time and long-term financial support to create graduates with the potential for sustainable high investment return.

Legislative Support for Clean Energy

An obvious question is the extent to which one can map the successful incubation of clean energy companies against those countries which have supporting legislation for clean energy in place. This can strongly affect the number of companies looking to develop new businesses in a specific sector – as in Germany with the solar sector, where the high number of solar companies may be explained by the combination of a strong research base and a large number of corporations with an interest in solar, as well as a programme of government solar subsidies and feed-in tariffs.

One of the major factors behind the growing number of clean energy incubators is the positive and beneficial effect of the improving political and regulatory climate favouring environmentally-friendly technologies. Fiscal or commercial incentives to promote renewables, the availability of government grants and regional aid budgets have become especially important stimuli to the sector.

Patrick Tiberghien of French incubator APUI Incubateur de l'Ecole des Mines de Douai observed that increasing environmental regulation, combined with simpler financing mechanisms and reduced government bureaucracy for SMEs, is providing a much healthier environment for the emerging energy technology industry in France. This view is common in most European markets, including Germany, Spain, Norway and Denmark.

In the US a number of State and municipal-level initiatives have been the catalyst for the influx of start-ups into the incubators. Washington State's Senate Bill 6508 recently set a standard for renewables in fuel starting at 2.0% ramping up to 5.0% for biodiesel and 10.0% for ethanol. California's incentive programme for the encouragement of solar technologies provides similar incentives to state-based start-ups among other incentives. These include the recently announced California Energy Commission's Energy Innovations Small Grant – to foster the creation of innovative technologies from within the small business sector.

For UK incubators, the continuation of Renewable Obligation Certificates (ROCs) has proved a welcome fillip. Lynne McGregor, Imperial Innovations' Carbon Trust Incubator Manager, says that this initiative has provided clean energy businesses with "additional monies that they can put towards development work to create economies of scale. This gives confidence

to the project finance community that this sector is around for the long term.” Simon Crook, Senior Consultant at Angle Technology agrees that extending ROCs will help investment in the UK.

Rising energy costs are providing another economic incentive, though this not universally true. In Australia the relative cheapness of energy, and coal in particular, offers less incentive to develop renewable energy sources on purely economic grounds and this is somewhat depressing the flow of start-ups into incubation.

Direct Public Funding

The clean energy market is moving to centre stage for many governments, as they seek to source alternative sources for power and transportation fuel requirements needs. This has meant there is an increasing focus on the development of relevant technologies.

Given the importance of the role of public finance in supporting incubators in clean energy, the growing policy importance of clean energy development has had a direct impact on the marketplace. The NEF survey showed a broad diversity of ownership and funding sources within the sector because ownership can often involve a mix of public, private or institutional parentage, reflected in the sources of funding which support the incubators. Almost universally there has been an element of national, regional or state funding in increasing the focus on clean energy.

It also showed there is an accelerating flow of ideas and technologies into the incubators. This reflects the rapid increase in interest in the clean energy sector, and mirrors the increasing number of clean energy start-ups that are raising funds from angels and early stage venture financiers. However, Dr. Marty Murphy, NREL's representative in NACEBI suggests that in many cases the technologies coming out of labs and universities, or being put forward by entrepreneurs, are too early stage, even for the incubators. He suggests that one option is the forming of “a public-private partnership where the private sector would take responsibility for the commercialisation process but the public sector would buy down some of the remaining risk”.

And there are many who agree. Comparing clean energy with other technologies being incubated, Lynne McGregor suggests that because “the market is much further out; the government needs to take a role by assuming some of the risk.” She says that without subsidies some clean energy technologies might not be commercially viable. Crook also emphasises the extent to which the success of some technologies – like wave and tidal, or even solar - is dependent on state incentives, saying “If governments decided to step out of these areas there would be a significantly reduced market.”

Strong Local Research Communities

There is no question that the additional support generated by association with universities and national laboratories has made a great difference in the ability of incubatees to graduate successfully, especially where this is combined with a strong entrepreneurial and angel network.

A strong local research base, encouraged to explore technology transfer and the commercialisation of technology, can not only generate a stream of potential companies but also provide an environment where technology can be trialled and tested by expert researchers on an ongoing basis. One example is Imperial Innovations, the incubation arm of Imperial College, which has over a thousand academic and nearly fifteen hundred research staff through which its portfolio of companies can draw on a significant breadth and depth of research capability.

While an incubator can help to provide access to specific legal, marketing or financial skills, relationships with research communities can provide expertise covering a range of scientific, technical and industrial expertise. The most successful communities combine research with the right business networks with a mixed academic and industrial background; with experience in technology transfer and an ability to understand the commercial significance of advances in science, technology and knowledge management.

Strong Local Entrepreneur Network

Another vital factor in the successful graduation of companies from incubation to further financing and development is cultural. The US, the most developed venture capital environment, has a culture and climate of highly mobile human resources, a willingness to allow those who might have failed to try again, respect for entrepreneurs and a process whereby mentoring is considered a powerful positive for both mentor and mentored.

At the same time, development of an incubated business is encouraged by the existence of a strong network of angel investors, who can not only provide very early stage finance to entrepreneurs but also advice, introductions and mentoring support to the operational team.

In the UK, Oxford Innovation launched its own angel network, Oxford Early Investment (OEI). Oxford Innovation manages 11 Innovation Centres that provide office and laboratory space to over 300 technology, creative and knowledge-based companies. While a number of angel networks existed in the region, the usual level of investment ranged from £0.2-2.0m. The idea behind OEI was to provide funding at a level of £20,000-£150,000, as well as to link companies with investor members, who can often provide management input and contacts in addition to much needed capital.

Links with a Mature Venture Capital Community

The New Energy Finance survey suggests that the incubation model can be highly effective, and that given the growing number of successful case histories emerging from the major markets the future looks distinctly healthy as credibility and momentum build.

However, even in these markets it is evident that the pathway from successful graduation from incubation to full commercialisation is by no means assured. One important hurdle mentioned by respondents was the availability of follow-on funding from the angel, venture capital or private equity communities. Conservatism and a risk aversion to technology businesses was frequently cited. The biggest overall impact on the level of clean energy incubation in any given market remains the maturity of the private equity environment and its understanding of the opportunities presented by clean energy investment.

The Australian incubator community is handicapped by the relative immaturity of the country's VC sector. Anne Marie Birkhill, CEO of iLab, based in Brisbane, noted that early stage capital is very difficult to get as the VC market is very immature compared to that of the US and Europe – it is very limited in experience and capital. She also highlights the relatively limited access to angel funding saying, "Australia just does not have a lot of high net worth people compared to other parts of the world." The CEO of another leading incubator confirmed saying, "Angels are poorly organised and disparate. We do not have a long standing tradition of 'giving back' in Australia."

These sentiments were echoed in other regions; Patrick Tiberghien of incubator APUJ observed that in France, "the VC community remains 'prudent' – i.e. conservative." Lisa Samin of Israeli company GreenTech said that "the VC community is still cautious and is looking for solid, more mature organisations to invest in."

Even in the US and UK, which are generally thought to have a more sophisticated investment community, there are hints of an investment 'gap'. One well-placed UK source said that "few VCs have the ability to understand the complexity of the different technologies and therefore are hesitant about investing at an early stage."

One potential problem is that increased enthusiasm for the sector has encouraged high, even over-inflated company valuations. Given the expectations driving rate of return and exit calculations for investors in subsequent rounds, one potential consequence of these high early-phase valuations might be that future expectations could become, as one source said, "almost impossible to deliver."

Clear Commercial Focus

Once the political environment and economic balance are in place, the most critically important factor for the successful commercialisation of technologies via incubation is a clear commercial focus. As the Carbon Trust's Jonathan Bryers emphasises, "We are determined

that the key output is a venture capital-type investment opportunity, rather than a lifestyle-type business opportunity that may be self sustaining but does not provide material growth opportunities.”

Thomas Doppelberger, CEO of Germany’s Fraunhofer Venture Group, echoes this priority, “We are commercially driven – we look for the best way to get innovation into the marketplace.”

8. Detailed Survey Results

Detailed information on all incubators and incubatee companies surveyed is available to subscribers to the New Energy Finance Desktop.

For information, please contact sales@newenergyfinance.com.

9. About New Energy Finance

New Energy Finance is a specialist provider of information and research to investors in renewable energy, low carbon technology and carbon emission credits. Our services include the following:

- **New Energy Finance Briefing.** A twice-monthly newsletter covering investment activity in the clean energy industry worldwide, including news, deal lists, analysis and features.
- **New Energy Finance Desktop.** The world's most comprehensive database of investors, opportunities and transactions in clean energy, covering over 13,000 organisations (including start-ups, corporates, venture capital and private equity providers, banks and other investors), 8,000 people and 5,000 transactions.
- **New Energy Finance Newswatch & Alerts.** Bundled with the New Energy Finance Desktop, the Newswatch service sends you a daily email with your tailored selection of clean energy investment news. The Alert service allows you to set a flag on any company, fund, person or project you want to track, and receive an alert by email whenever there is any relevant news.
- **New Energy Finance Focus Reports.** A series of sponsored reports on clean energy investment by sector, technology, country and region. We also write reports or white papers on contract, to support PR activities or fund-raising.
- **New Energy Finance Network Events.** Lunches, breakfasts, round-tables and workshops for investors to learn about opportunities and meet each other.
- **New Energy Index (ticker symbol NEX).** The first global index of clean energy companies to be calculated and quoted in real time.
- **New Carbon Finance.** Following an acquisition in May 2006, we are delighted to be able to offer this subscription-based service providing price forecasting for the European Carbon Market, based on a fundamental supply / demand / abatement cost-based model that has been three years in development.
- **Analytics.** Research into investors, projects and recipients of funds in the clean energy sector worldwide, based on data-mining our Desktop or other analytical means.
- **Consulting.** We offer a full range of consultancy services to help corporate and financial investors make informed decisions when committing funds to the clean energy industry. Types of work include: country, policy and technology assessments; deal-flow development; opportunity screening; economic due diligence; strategic and business planning; policy evaluation.
- **Coming soon: New Energy China Insight.** During Q3 2006 New Energy Finance will be launching a new service combining deep analysis of opportunities for clean energy investors in China with news and rapid-response bulletins on breaking developments.

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