



THE BUSINESS OF TECHNOLOGY

CAPITAL

Bubble or not, demand for clean energy will drive innovation.

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With oil at nearly \$72 a barrel, investments in clean energy may have driven valuations to irrational levels, but investors agreed Tuesday the potential for the sector justifies the risk.

"Valuations are out of whack and in a bubble—in some cases in solar, and in some cases in biofuels," said John Quealy, a principal at Canaccord Adams, during a panel discussion at the Red Herring East conference in Boston. He also noted that solar IPOs are commonplace, and said he knew of one private ethanol company that has raised "hundreds of millions" of dollars in financing.

"So it's a matter of whether you think that's a bubble," he said. "But we are far and away in a better place, from the technology and innovation standpoint, than we were five to seven years ago. [Sprint](#), for example, now has two viable fuel cell manufacturers to choose from."

Mark Huang, a senior vice president at GE Commercial Finance's Technology Lending Group, noted the costs of developing clean power are falling to the point where they may be able to compete with fossil fuels.

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-John Tuttle,
Daystar Technologies

"What's really driving these technologies is: is there a path to get price-competitive with natural resources? Yeah, now some of these need subsidies, and it's a race to get price down [before those subsidies go away.] We believe there is a path," he said. "Granted, it's risky."

However, he noted there are companies around the globe that are establishing sustainable business models.

"You can source silicon in California, have it shipped to Japan to make cells, shipped to Germany to make modules, and possibly shipped back to California to be sold," he said. "There are all different parts of the value chain. It's global, and you should look globally. Around the world, there are some sustainable companies with strong EBITDA [earnings before interest, tax, depreciation, and amortization]."

Cultural Pressures

Nicholas Parker, chair of the Cleantech Capital Group and moderator of the panel, agreed that lower costs are important—"not just in the energy space, but in things like sensors" that affect clean energy technologies.

John Tuttle, chief executive of solar company DayStar Technologies, said he believes the growth in clean energy is sustainable because cultural pressures, as well as financial pressures, are driving the market.

"Cleantech in energy and other areas to me are more elegant solutions for how to fulfill our quality of life," he said. "China has created a cradle-to-cradle approach, saying we want our next generation to survive in whatever economy we end up with, and that affects not only things like solar and wind, but things like how water is used and recycled. There are some big opportunities in these cultural angles."

Other panelists included William Capp, chief executive of flywheel company [Beacon Power](#), and Chuck McDermott, a general partner at Rockport Capital.

Cleantech Funding

In related news, [Hy9](#), a company that manufactures membranes that purify hydrogen and make hydrogen out of natural gases like methane, announced Tuesday it raised \$2.3 million in funding.

The company didn't name its investors, but said it would use the money to expand its line of hydrogen purifiers and bring its reformers to the portable fuel cell market. Hy9 currently sells mainly to the electrolyzer industry, and says its membranes can purify and reform hydrogen more efficiently, using half the palladium of conventional technologies.

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