

Excerpt from Red Herring

<http://www.redherring.com/Article.aspx?a=18708&hed=Is+There+a+Cleantech+Bubble%3F+>

Too Late to Get Into Cleantech?

Reality Check: With more money chasing cleantech investments, it's getting harder to make money by the minute.

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There's certainly never been a better time to be a cleantech startup.

Virgin's flamboyant Richard Branson said Thursday he will invest \$3 billion in renewable energy technologies over the next 10 years. The Silicon Valley insiders at venture firm Kleiner Perkins Caufield & Byers said Wednesday they were doubling their commitment to green technology, to \$200 million.

Even the Bush Administration—not exactly a bastion of eco-warriors—on Wednesday unveiled a plan to spend \$3 billion to research carbon-dioxide-reducing technologies. "It's been a very interesting few days," said Michael Liebreich, chief executive of research firm New Energy Finance.

Could all the money be bad for investors? Robert Wilder, chief executive of WilderShares, which manages two clean-energy indices, said he's concerned the growing funds could be bringing hype to the industry, along with the needed capital. Cleantech shares are already down more than 30 percent this year.

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Beware the Hype

"We need to be wary of hype because hype leads to real sharp pullbacks, such as the one we're in now," Mr. Wilder said. "As soon as people start thinking cleantech is a sure thing, you can be sure it's a pretty bearish sign of a downturn ahead."

The math is simple. Add too much money to too few investments and the valuations of cleantech companies are getting bid up quickly. But the higher those valuations rise, the tougher it can be to make money over the long haul.

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As a result of all the money, valuations are getting bid up. At a recent investor conference, for example, Mr. Wilder said he saw some technologies that he thought were not ready still getting heavy investor interest.

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Overall, Mr. Wilder agrees. "The growing capital for cleantech is 99 percent a good thing," he said. "There are a few people who are famously smart, like Branson, Gates, and Buffett, and one thing they have in common is they are all putting money into clean energy."

The only question: when does all that smart money make the next dollar invested dumb money?

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