

# Dow Jones Clean Technology Insight

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## VCs Emphasize Influencing Regulations Over Government Money

By [Nicholas Elliott](#)

11/18/2009 – Government action has become a critical part of the overall picture for clean-technology investing, though panelists at the Dow Jones Alternative Energy Innovations conference being held this week emphasized the need to look beyond the grants and loans now being disbursed.

Venture capitalists and consultants with a clean-technology focus said they place more importance on influencing regulations and standards than on obtaining government capital.

Jack Sterne, principal at Rising Tide Strategies, said that "for some early stage companies they're often out in front of policy and regulation so that policy can be critical" for their business. Sterne lobbies the government on behalf of businesses and environmental groups.

That view was backed by Daniel Ritter, partner at the law firm of K&L Gates, who said that with government increasingly focused on changing regulations and setting new standards, such changes "can have a tremendous impact" on clean-technology companies. Companies may have to get used to collaborating with competitors in trying to shape regulatory changes, he said.

The regulatory aspects of government policy on clean-technology could also take on more importance once the money allocated under the stimulus law passed earlier this year is exhausted.

Sanjay Wagle, renewable energy adviser for the Recovery Act Team at the Office of the Secretary at the Department of Energy, said there are two other possible sources of funding once all the grants and loan guarantees have been awarded. One is the "green bank" being proposed by the administration. "If that passes, you will have the government's balance sheet to leverage," said Wagle. However, he added, "we don't know how big that will be or when it will show up."

However, Wagle said that once the stimulus dollars have been spent, "there will be declining or flat budgets for all departments, including the Department of Energy."

Ritter, meanwhile, said that besides the Department of Energy's capital, the Department of Defense is also spending money on clean technology. He noted, for example, that the Navy is now showing interest in biofuels derived from algae, following the lead of the Army and the Air Force.

He also pointed to a push by the administration to have sustainability officers in each government department ensure that they are buying supplies from green sources.

Several panelists praised the work done by the DOE to process grant and loan applications, though Josh Green, general partner at Mohr Davidow Ventures, said that a lack of data on the programs made it hard for clean-technology companies to judge how much to invest in pursuing applications. "More work needs to be done" on that front, he said.

Dennis Costello, managing director at Braemar Energy Ventures, said that the insertion of the government in the clean-technology market had made life more complicated for investors because it represents another risk factor.

"It's bothersome to depend on the government to be innovative," with the additional possibility of a competitor gaining an advantage through getting government money, he said.

Government money, he said, "has held back private equity coming in because they're waiting to see who the winners and losers are. We try not to put that into the equation at all."