

The buzz surrounding clean energy will be heard at Austin conference

Big industry names will gather here to discuss clean energy's future.

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The buzz surrounding clean energy will be heard in Austin this week at the Clean Energy Venture Summit.

Former CIA Director James Woolsey, an early cheerleader for the second Iraq war and now a crusader for "energy independence" from the Middle East, will speak Tuesday.

General Motors Corp. Vice President Gary Cowger, who will deliver one of the keynote addresses Wednesday, is in charge of promoting GM as the automotive industry's new green giant.

Austin City Council Member Brewster McCracken says the conference will help Austin become "the Silicon Valley of clean energy, the place where new companies go and where venture capital finds new companies."

Clean energy is all the rage, from venture capital firms to save-the-country political rhetoric.

A growing, and somewhat unusual, mix of proponents says new technologies will reduce our dependence on fossil fuels, the countries that produce them and the pollutants that result from them.

Understandably, events such as the venture summit are built for maximum enthusiasm.

With that in mind, we thought it useful to provide the realist's guide to this week's summit.

Keeping it green in Austin

In February, the San Francisco-based Cleantech Venture Network asked 36 investors, described as experienced, high-level clean-tech experts, which states do the best job of encouraging startups in the field.

Texas didn't get one vote.

California was ranked first by 70 percent of the investors, with New York second.

But Austin is a different slice of Texas.

The city-owned utility, Austin Energy, is a leading buyer of wind-generated power and an enthusiastic tester of new green technologies.

The city itself has an aggressive climate-protection plan.

Last year, the utility and Clean Energy Incubator at the University of Texas signed a two-year, \$520,000 agreement to foster startups and put on the Clean Energy Venture Summit, which is expected to draw about 3,000 attendees.

Joel Serface, director of the energy incubator, says the summit will help drive interest in Central Texas as a potential clean-energy hub.

"There is no epicenter for clean-energy investing," Serface said, and the conference provides Austin a showcase to demonstrate why it deserves a shot at the title. Nearly half of the approximately 20 companies doing presentations are from Texas, he said.

Nationally, venture investors are familiar with Austin's reputation as a relatively green city and with Austin Energy's work in green technologies.

The conference gives investors an up-close look, Serface said: "They'll be curious to see if something is really here in Austin."

The investors

Private investors, governments and corporations are pouring money into clean-tech initiatives – \$48 billion last year, up 9 percent from 2005, according to Lux Research Inc., a New York-based consultant on emerging technologies.

Venture capitalists invested \$2 billion, nearly three-quarters of which went to energy companies.

Texas and Austin aren't swimming in dollars. Austin clean-energy companies received \$71 million in venture investment last year, and TechTurn, a computer recycling and remanufacturing firm, drew \$50 million of that total from Catterton Partners Corp., a private equity firm.

Kirk Walden, a venture capital consultant in Austin, said Central Texas, while a small player now, is well-positioned for future investment in clean energy.

Venture investors "can't ignore Texas," he said, and Austin, rather than Dallas or Houston, is the likeliest candidate because of Austin Energy's willingness to aggressively seek renewable power sources and experiment with related technologies.

Walden notes that some of Austin's traditional technology strengths – semiconductors and software, for instance – play into the green-energy business in areas such as managing energy demand and developing power-saving computer processors.

Austin Energy's plan to boost the use of plug-in electric vehicles, partly as an electricity source when they're not being driven, has also drawn national attention.

The real impact

Cleaner sources of power and greener technologies aren't ready to conquer the energy world, or even make much of a dent.

The American Council on Renewable Energy's most recent outlook report says 340 gigawatts of new wind power is "technically feasible" by 2030.

In a vacuum, that number sounds impressive. But it's also unrealistic, considering the U.S. currently has 978 gigawatts of capacity from all energy sources. Further, wind power at best operates at about 30 percent of capacity simply because the wind doesn't blow all of the time.

Solar? Even with spectacular growth, solar will provide 0.7 percent of the nation's energy demand by 2020, according to a new report by Lux Research.

Biofuels are all the rage, especially corn-based ethanol.

But their economic viability depends almost wholly on the price of oil and generous federal subsidies.

In contrast to the sugar-based ethanol produced in Brazil, corn ethanol requires at least as much energy, and much more water, to produce than good old gasoline.

Government policies and the ever-volatile price of fossil fuels also greatly influence clean energy's prospects, according to Lux Research.

The U.S. wind business has been in a boom and bust cycle, depending on the status of the federal production tax credit for wind-energy generation.

When a government changes any clean-technology incentive, the Lux report says, "it can wreck customers' return on investment – with a corresponding blowback effect on suppliers."

The upshot for Austin

Given these factors, what is Austin's edge in the competition to become a clean-energy center?

Energy analysts say the state must play catch-up with California, Massachusetts, Colorado, even Minnesota – all states with ambitious renewable-energy goals and formidable financial resources available to green-energy businesses and entrepreneurs.

California's two main public pension funds, among the nation's largest, have formed a green-investing initiative that could result in \$450 million in pension money being invested.

Texas pension funds are also a rich source of cash; the teacher and state employee funds have a combined \$132 billion in assets. Both funds, though, have been gun-shy about investing in narrow business segments.

Austin's biggest advantage might be cultural. Green energy "is a movement that connects with people" in Austin, said Alison Silverstein, an energy consultant and former senior adviser to Pat Wood when he served as chairman of the Federal Energy Regulatory Commission.

"People don't care in their gut about a biotech center or about telecom," she said. "Yet clean energy is something that has hugely seized the imagination because it's compatible with our goals and desires."

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The Clean Energy Venture Summit

When: Monday through Wednesday

Where: Hyatt Regency Austin, 208 Barton Springs Road

Information: Agenda at www.cleanenergyventuresummit.com

What is clean tech?

Clean technologies are broadly defined in five categories:

Energy: Generation from wind, solar and other renewable sources and storage and distribution technologies

Air quality: Purification, monitoring

Water: Filtration, monitoring, mapping

Waste: Emission controls, carbon sequestration, waste-to-fuel conversion, electronics recovery and recycling

Sustainability: Catch-all category that includes products such as ultra-fuel-efficient cars, services such energy-demand management, software to manage energy resources

Source: Lux Research Inc.

A sampling of clean tech in Central Texas

Company	What it does	Investors*
Coldwatt	Energy-efficient power supplies	GTI Ventures, Austin Ventures
Heliovolt	Sunlight-converting 'film' for building materials	New Enterprise Associates
Nanocoolers	Thermoelectric cooling for semiconductors	Austin Ventures, Draper Fisher Jurvetson
TechTurn	Computer recycling and remanufacturing	Catterton Partners
Skyonic	Emissions-reduction technology	TXU Corp.

* partial list of investors