
Posted on Tue, Sep. 26, 2006

VCs pick clean-tech investments

CONTEST AWARDS PRIZES TO FIVE FIRMS

By Constance Loizos
Mercury News

SAN FRANCISCO For a few hours Tuesday, City Hall became a microcosm of Silicon Valley. Eager entrepreneurs mingled with venture capitalists, all of them there to find and fund the best ideas in green technology.

What drew many of these people from the Valley was the California Clean Tech Open, a competition held for the first time this year to discover the best businesses working to make the earth a cleaner and in some cases more affordable place to live.

The event also had a larger purpose. As with information technology, California is already commercializing more green technologies than anywhere else in the world, according to experts in the field, and it intends to keep that lead.

The potential is enormous. According to venture industry tracker VentureOne, last year venture capital firms invested more than \$1.5 billion in clean-tech companies. According to Cleantech Venture Networks, a clean-tech membership organization, venture investment in green technologies is expected to grow to \$10 billion in the next three years in North America alone.

Announced in March, the competition attracted several hundred business plans from around the state competing for prizes in five categories: energy efficiency, smart power, transportation, water management and renewable energy. Judges included VCs, academics and consultants.

In May, 43 companies made the first cut, and on Tuesday the five winners were announced. They receive \$100,000, along with a year of free public relations, accounting, consulting and office space. More importantly, they receive publicity that offers them the prospect of getting much more money to fund their business.

Some of the contest winners were startups, such as months-old Crystal Clear Technologies, a Menlo Park company that uses its technology to turn low-cost materials like sand into water filters. Crystal Clear won the water management prize.

Meanwhile, EDC Technologies in Sebastapol, which won the smart power prize for its systems that reduce natural gas consumption in buildings, is 20 years old.

The contest's co-chair, Bay Area businessmen Laurent Pacalin, said that he and his fellow MIT alum Michael Santullo started the contest in large part because "we both come from the IT industry and wanted greater insight into the clean tech universe."

Pacalin was formerly a vice president at Siebel Systems. Santullo was the CEO and co-founder of Four 11, a once-popular white-pages directory service, and RocketMail, a Web-based email service. Both companies were acquired by Yahoo in 1997.

Terry Pfaff, EDC's president, said that though the nine-person company has taken no outside funding before, it is now looking for \$5 million to \$7 million in its hopes to "go nationwide" and has already started talking to VCs. Crystal Clear, meanwhile, said that the company is in the market for \$4 million and has already received a number of calls from interested investors.

A number of VCs milled through the displays, many of whom are longtime information technology investors such as Warren Weiss, a managing director of Foundation Capital in Menlo Park. Weiss, whose firm has already made four clean-technology investments over the last three years, singled out several startups that he said piqued his interest.

"Bringing together fresh businesses with the best universities; it's really Silicon Valley-style here today," he said. "It's exciting."

The four-hour ceremony was kicked off by a diverse cast of speakers, including renowned venture capitalist Vinod Khosla; Ralph Cavanagh, who directs the Energy Program of the Natural Resources Defense Council, a nonprofit environmental advocacy group; and Commissioner Art Rosenfeld of the California Energy Commission.

San Francisco Mayor Gavin Newsom also talked about the city's many clean-tech initiatives, including a new payroll tax exemption for clean-tech startups in San Francisco.

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