Clean Tech – Venture vs Acceleration Capital

In July 2016 MIT famously issued their paper titled "**Venture Capital and Cleantech:** The Wrong Model for Clean Energy Innovation"

"Venture capital (VC) firms spent over $25 billion funding clean energy technology
(cleantech) start-ups from 2006 to 2011 and lost over half their money"

Media outlets continue to promote only the positive stories, yet the majority of deals are ending in the red. The fundamental problem remains but I think it's best to read the paper.

https://energy.mit.edu/wp-content/uploads/2016/07/MITEI-WP-2016-06.pdf

In a nutshell VC and PE investors often think they have invested in the next ground breaking technology only to find that soon after another ground breaking technology has appeared making their largely redundant and most importantly totally illiquid.

Page 5: "When VC funds make ten to twenty investments, they expect that most investments will fail, a few may break even, and one or two might succeed wildly, justifying investments across the portfolio."

Fund Seeding or Acceleration Capital: the Accelerator adds capital to the fund to increase its size and visibility to Institutional Investors. The Accelerator benefits exponentially from the growth of the fund's Assets under Management and the performance of the fund itself. Similarly to VC and PE once the fund reaches a certain size it is a target for acquisition.

Liquidity: VC and PE deals are highly illiquid, once you are in you are in till you can sell or IPO the company. Capital in a fund is highly liquid, normally no more than a month.

Risk: Fund capital risk is determined by the volatility of the strategy, normally between 10 to 15%. PE/VC risk is 100% plus liabilities; there are no tail liabilities in Funds.

Returns: Projected VC/PE returns on a successful portfolio of investments are about 100 to 200% in aggregate. Acceleration Capital can expect that if takes a small fund to Institutional size the returns can range in the 30-40% per year as it grows, and 70-100% per year as it stabilizes.

Return Stream: Acceleration Capital takes a portion of total management fees which are paid by investors irrespective of fund performance, fees are paid in a continuous stream over the life the fund. PE/VC will only see returns if the project goes to IPO or it can sell its highly illiquid shares. This is a singular event.

Conclusion: Acceleration Capital in Cleantech funds is liquid, transparent, and much more profitable than Venture Capital and/or Private Equity.