

Wary But Ultimately Bullish: Positive Sentiment Prevails At SF Climate Week

by Vasil Velev · May 1, 2024 · 3 minute read



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By Ann Leslie Davis

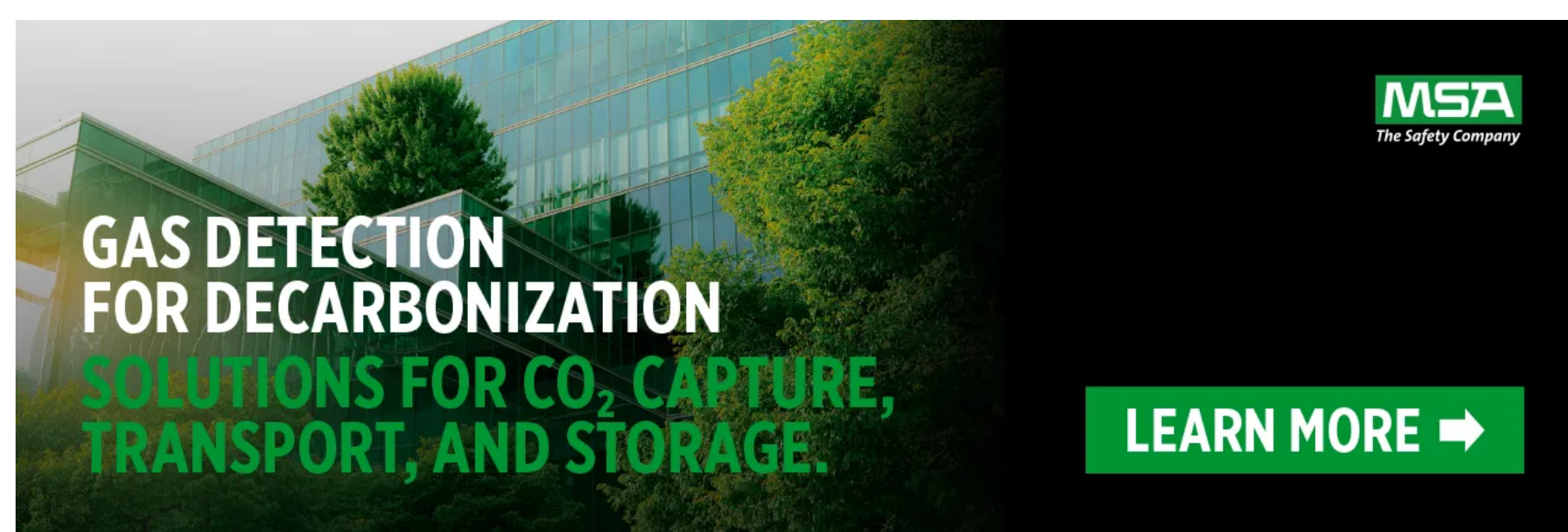
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On the day the skies over San Francisco turned orange from wildfire smoke in 2020, it's commonly said, a generation of climate activists was born. The city is home to dozens of cleantech startups, environmental organizations, and progressive venture capital groups.

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While funding for cleantech startups fell overall last year, it fell much less in San Francisco than in other tech-friendly cities like Austin and Los Angeles, according to the Wall Street Journal, and has started ticking up again.

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In her welcome address for SF Climate Week, Mayor London Breed touted the city's bold plan to become net-zero by 2040 and called San Francisco "an epicenter for climate tech" as well as for AI. Perhaps in defiance of "Orange Sky Day," City Hall was lit up every night of [Climate Week](#) in a life-affirming green.

Cleantech startups also held court at SF Climate Week, touting their products and processes. But most face the problem of "the missing middle" – the sag in funding between bright idea and final launch that has torpedoed many cleantech startups in the past. Discussions by investment leaders centered on how to overcome barriers to climate investing and improve funding for the next round of green startups – some of which may hold the key to saving the planet but are only in their infancy now.

At a gathering sponsored by [NextGen CDR](#) and Boston Consulting Group, bankers, buyers, policy makers, and forward-looking fossil fuel companies agreed on the need to fund CDR along with emissions reductions. High quality removals can reduce transition risks in hard-to-abate sectors and provide good investment opportunities if issues of greenwashing, market liquidity, regulatory uncertainty, and MRV can be improved.

The marketplace for cleantech could move forward and unlock scale if businesses felt rewarded rather than punished for taking action on climate change, participants said. Suggestions included building consensus around the proper deployment of removals, building MRV into projects from initial conception – with consistent measurement across the value chain – and giving carbon removal a valuation based on the durability of storage.

Investors in other meetings around the city pondered how to handle the Series B and C funding hole and help get great climate tech companies to market. Some, like [Trellis Climate](#), are experimenting with new funding models for startups. Others called for a more diverse funding approach and applauded the role of Biden's IRA bill in providing grants and loans to the many promising cleantech companies waiting for markets to open up.

Lila Preston, head of growth equity for former Vice-President AI Gore's [Generation Investment Management](#) group, said investors have learned many lessons from past failures that will be used to help the next generation of startups.

"We've learned what it's like to go public when you're not fit," she said. "And by fit I mean potentially profitable, potentially growing and profitable, and having a compounding story to tell to the next buyer of shares because that's where the public markets really get their momentum."

Preston believes the next generation of clean startups will come out stronger, leaner, and be more successful once they go public.

Back at [9Zero](#), co-founder and CEO Duncan Logan was equally bullish about the future of the climate business. Despite the \$4 trillion funding gap and the missing middle, Logan, who founded tech accelerator Rocketspace, believes the coming climate revolution will dwarf the digital revolution.

"The IRA made a huge difference," Logan said. "Because suddenly there are enormous amounts of capital or tax breaks ... and an enormous opportunity to build businesses and jobs for whole economies."

Perhaps channeling the prevailing mood he adds: "I know it's the wrong way to think about it, but there's a lot of money to be made fixing the climate problem."

Read more: [SF Climate Week: Bigger, Better, \(Not Yet\) Bolder](#)

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