

Green Technologies: Investing in the Future (2009)

Abstract

Considering the switch to renewables an opportunity, a private equity banker pleads for greater investment in “green technologies” such as solar or wind power generation in order to make Germany a global champion of clean energy.

Source

There is a great deal of talk nowadays about renewable energy sources, and what is usually meant here is solar or wind energy. Green technologies, however, encompass far more than just these. Renewable energies, which aside from wind and solar also include hydro and bioenergy, certainly play a vital role. However, the concept also involves other areas of technology, such as fuel cells, nanotechnology, and alternative drive technologies. Green technologies should therefore not be viewed as a distinct or independent field, since they can be encountered in a variety of industries. They can be best described as a sector that intersects with a whole range of environmental technologies and services. Whichever way you look at it, though, green technologies represent an important future market and offer considerable opportunities for growth and potential for employment.

At first glance, it may seem remarkable that the German Private Equity and Venture Capital Association (BVK) has issued a publication dealing solely with the topic of green technologies. Upon closer scrutiny, the context quickly becomes apparent: private equity has always invested in promising new industries, and thus in green technologies as well. The clear emphasis here is on high-growth start-ups and innovative medium-sized businesses. In Germany, these are the source of outstanding achievements and are recognized worldwide, which particularly applies to the engineering sector. Accordingly, many German companies are market leaders in their sectors, such as Q-Cells, a solar solution provider from Bitterfeld. From its foundation in 1999 to its initial public offering, the company was financed and promoted by private equity.

In the present publication, we highlight examples of companies representing various segments of green technologies. What they have in common is that they all brought an equity investment company on board to help advance their further development on a partnership basis. Initially, many of these companies only had an idea or an innovative concept, and most of them lacked the financial means to realize their goals. As a rule, the risk involved in start-up companies is very high and it is often impossible for them to secure outside capital. In this case, investment companies serve as suitable partners, since investors are aware not just of the risks involved, but also of the opportunities that innovative technologies offer. Green technologies have what it takes to become a new key industry in Germany. As a result of climate change, the scarcity of resources, and pollution, the world will increasingly need to rely on these technologies. The growth trend of green technologies is thus inevitable. The same can be said of the interest of private equity companies in this field. Private equity can help to maintain Germany's position at the top of international competition. This requires, above all, even more private equity funds and, in particular, venture capital funds in Germany. Unfortunately, the preconditions for this are not very promising. German funds still lack a stable and reliable legal framework. Despite having been necessary for many years, existing administrative decrees by the Ministry of Finance have not been formulated into internationally reliable laws, and it is high time for the German government to take action. To this end, in September 2009 the BVK submitted a “proposal for a private equity capital market framework,” which includes regulatory aspects as well as various levels of private equity models that are

clearly defined and regulated. Growth and employment need capital—and Germany needs more private equity.

Source: Dörte Höppner, Managing Director of the BVK, “Grüne Technologien: in die Zukunft investieren,“

https://www.bvkap.de/sites/default/files/publication/rz_broschuere_cleantech_web.pdf

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