

Cleantech: A New Engine of Economic Growth for New York State

The cleantech industry produces goods and services that optimize the use of natural resources, while reducing ecological impact and adding economic value by significantly lowering cost. Key cleantech industry sectors include: Alternative Energy & Power, Materials & Green Building, Transportation & Logistics, Air & Water Technologies.

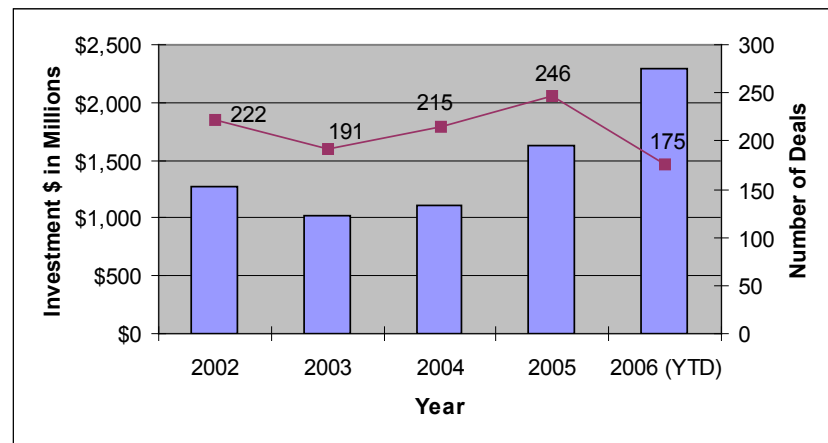
The New York City Investment Fund, an affiliate of the Partnership for New York City, has released a new study which identifies the emerging clean technology, or “cleantech” market, as a large potential source of new jobs for the New York State economy.

The report (available for download at www.nycif.org) concludes that while New York City and State have strong environmental policies, in order to be leaders in the emerging cleantech industry, government must also create policies to attract investment and generate job growth. The Upstate and Downstate economies of New York each have a number of complementary assets that are relevant to this industry and can be leveraged to create a new engine of economic growth.

Strong Interest From Investment Community

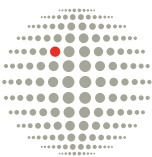
The cleantech industry is large and continues to expand. Global revenues in 2005 are estimated at \$150 billion. Venture firms invested over \$2.2 billion in cleantech companies during the first nine months of 2006.

Cleantech Venture Investment in North America, 2002 – Third Quarter 2006



Source: Cleantech Venture Network

In addition to the venture capital community, state pension funds in California and Pennsylvania have allocated investment dollars to the cleantech industry. Leading businesses have become more active in the cleantech industry, as well, through direct, venture-type investments, development or acquisition of cleantech business lines or the adoption of “green” carbon neutral business practices.



New York City Investment Fund
A Partnership for New York City Organization

Fifteen new funds have successfully raised capital, many within the last two years, to focus on cleantech investments. Of these, only five have offices in New York while ten have offices in California or Massachusetts.

If this trend does not change, New York risks repeating its experience with the information technology and biotechnology industries, where companies came to New York to raise money and sell their products, but created most of their jobs and paid most of their taxes in other states.

The Case for Cleantech Investment in New York State

The Downstate and Upstate economies of New York have a number of key complementary assets that can be important building blocks for attracting investment capital to build a vibrant cleantech industry throughout the state:

Cleantech Assets of Downstate New York

- One of the largest, most concentrated markets in the U.S. for both cleantech products and services;
- A receptive environment for early adoption of new technologies, reflecting a need to reduce high costs and a tradition of progressive leadership by individual consumers, business and local government;
- Significant access to investment capital dollars to fund new technologies and start-up companies; and
- A strong network of service providers (e.g. consultants, bankers, architects and designers, non-governmental organizations, lawyers).

Cleantech Assets of Upstate New York

- An abundance of natural resources and environmental assets needed to supply certain cleantech segments, especially the alternative energy sector;
- Cleantech-focused research and development (R&D) capabilities at both university and industry research centers; and
- Manufacturing-related resources, such as management expertise, trained labor force and underutilized sites.

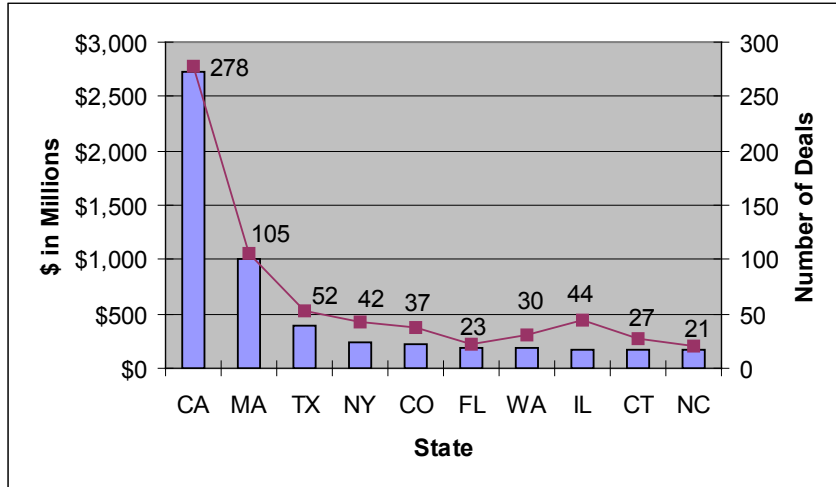
Public Policies Can Attract Cleantech

New York is a leader with respect to green policies and incentives that support energy efficiency and a cleaner environment, such as the Renewable Portfolio Standard, the Regional Greenhouse Gas Initiative (RGGI), and financial incentives to encourage the use of renewable energy and energy efficiency. However, the majority of these initiatives encourage the adoption of cleantech products by local residents, businesses and government rather than the creation of new companies

New York Is Missing Out on Cleantech

Currently, most cleantech investment is going to America's traditional centers of entrepreneurial tech-sector activity: California and Massachusetts.

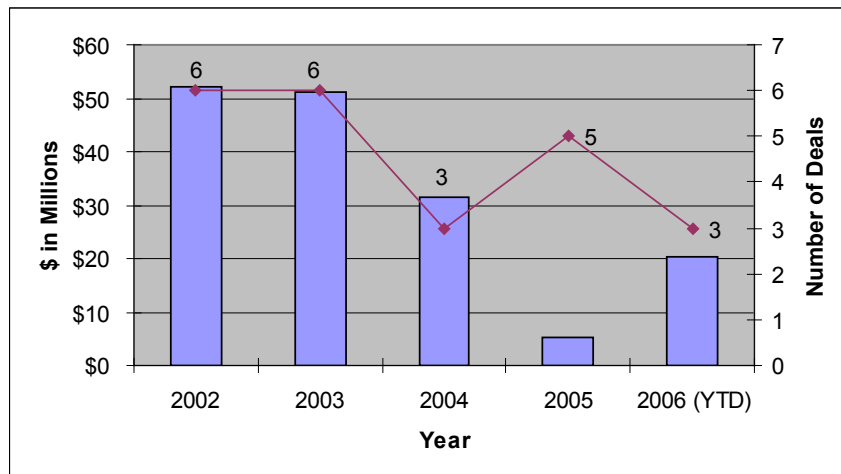
Top Ten States for Cleantech Venture Capital Investment, 1999-2005



Source: Cleantech Venture Network

Nationwide, the pace of investment in cleantech is increasing. However, the trend in New York is the opposite:

Cleantech Venture Investment in NY State, 2002 – Third Quarter 2006



Source: Cleantech Venture Network

A number of high profile venture funds have announced their intention or begun to invest in the cleantech industry, including 3i, Battery Ventures, Kleiner, Perkins, Caufield & Byer, Rho Capital Partners, Sequoia Capital, VantagePoint Partners, Venrock Associates, and Warburg Pincus. Of the 18 investments publicly announced by these funds, none is in New York State and 10 are in either California or Massachusetts.

or projects in the state. While the focus on deployment and consumption of clean technologies benefits New York by creating a cleaner environment and lowering certain operating costs, it does little to encourage growth in employment and tax revenue.

New York State and City government can make the difference by helping attract investment capital for the cleantech industry. A 2006 study by Environmental Entrepreneurs and Cleantech Venture Network found that public policy does influence where venture capital firms invest. 79% of venture capitalists who invest in cleantech said these policies affected their investment decisions, and 91% said that pro-environmental policies help drive new business and investment to a state.

Recommendations: What Government Can Do

The New York City Investment Fund report recommends a series of initiatives by City and State government to spur investment and job creation in this sector, including:

- Creating a targeted effort to market the state's cleantech-related assets to investors, entrepreneurs and corporations focused on this industry;
- Committing \$150 million of New York State pension fund monies to investment managers who will invest in cleantech companies and projects located within New York;
- Establishing other producer-related incentives, such as procurement from in-state companies, beta testing programs, and reorientation of the New York State Energy and Research Development Authority (NYSERDA) to focus on local production;
- Leveraging the opportunities presented by the Regional Greenhouse Gas Initiative to create jobs in the financial services sector and related offset projects, such as landfill gas capture, reversing deforestation, or increasing the efficiency of energy systems; and
- Identifying legislative and regulatory actions that could support the growth of the cleantech industry within the state, such as expanded net metering and targeted procurement.

ABOUT THE NEW YORK CITY INVESTMENT FUND

The New York City Investment Fund (www.nycif.org) is the vision of Henry R. Kravis, founding partner of Kohlberg, Kravis, Roberts & Co., who serves as its Founding Chairman. The Fund's goal is to mobilize the city's world financial and business leaders to help build a stronger and more diversified local economy. To that end, the Fund has built a network of top experts from the investment and corporate communities who help identify and support New York City's most promising entrepreneurs in both the for-profit and not-for-profit sectors. The Fund is governed by a Board of Directors co-chaired by Russell L. Carson and Richard M. Cashin, and Founding Chairman Henry Kravis. NYCIF is the investment and the economic development arm of the Partnership for New York City (www.pfnyc.org), the city's largest business organization.