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SUSTAINABLE HEROES

Green Leaders in Focus

Policy Tailwinds

Nancy Floyd, Founder, Nth Power

Nancy Floyd, founder of Nth Power, a U.S. sustainability-focused venture capital firm, believes that the Inflation Reduction Act combined with strong funding are a game-changer for clean tech firms.

Progress over Perfection

Amy Schumacher, CEO, The Heritage Group

Green Hydrogen

Roeland Baan, CEO, Topsoe

Regenerative Packaging

Pierre Paslier, Co-Founder, Notpla


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Nancy Floyd
Founder
Nth Power

Q | You had a focus on sustainability long before it was popular. What first ignited your interest?

In college I read The Silent Spring by Rachel Carson - documenting the environmental harm caused by pesticides - which really grabbed my attention as a nature lover. And at graduate school I delved into the Clean Water Act of 1972.

Those two episodes combined raised my awareness of climate issues. And then serendipitously, I was offered a position as Director of Special Projects by the chairman of the Vermont Public Utilities Commission, the agency that regulates gas, water and electric services.

They had never employed a woman at the Commission. While I learned the basics of utility rate making, I was given one off projects, including understanding the ground-breaking 1978 Public Utility Regulatory Policy Act or PURPA.

PURPA was the first legislation to start deregulating the electric utility industry. It's what gave rise to wind and solar power as we know it. I was tasked with testifying about the Act at regional congressional hearings on behalf of the Commission.

I also ended up starting the first utility funded non-profit to fund home energy audits for low income housing. It actually ended up being replicated by all 50 U.S. states and really launched my career which has been about renewables and climate ever since.

Q | And you were involved in the earliest wind projects?

Yes, in 1982 I developed one of the first wind projects in Northern California; I evaluated the available wind technologies before selecting a 30 KW wind turbine design. I built $30M of windfarms and eventually sold that company in 1985 to a larger developer for a very significant return on the capital invested.

It was a very interesting time. When I started there were literally no wind farms anywhere in the country and we were creating the business model.

Q | From there you decided to set up Nth Power. How did you establish it and what's your ethos?

After selling the wind business, I was recruited to join the founding team of a telecoms startup. It was a subsidiary of Pacific Telesis, one of the big regulated telecom companies in the United States. The telecom industry had just been deregulated and this startup planned to provide network management for companies with private voice and data networks.

Due to my role as an entrepreneur and CEO I was brought in at the corporate level to evaluate new businesses opportunities. I saw first-hand the role that technology played in a deregulating industry and many of those technologies were funded by early VCs. That was a lightbulb moment for me as I foresaw that technology had the potential to transform the energy industry and so I started Nth Power.

In terms of ethos or corporate culture, venture capital firms broadly have two cultures; one which is very competitive and hierarchical and the other which is collaborative. I chose collaborative and that's not just words.

I ensured that we were collaborative in how we approached compensation for my team right down to our office manager and assistants, as well as how we voted on investments. I not only encouraged but almost expected our associates to speak up and participate at weekly investment meetings.

Collaboration was important. If an investment got into trouble, I wanted the team to be able to turn to each other for advice, to brainstorm together and help our startups get over the inevitable speed bumps all start-ups face.

Q | You've enjoyed a long and distinguished career leading a VC firm. What are some of the pitfalls you found investing in firms focused on green technologies?

There are three really big ones. Firstly, underestimating the time to market for a particular product or technology even if you think you have a strong value proposition.

Secondly, underestimating the capital intensity or capital needs of a company. I go back to 2006 through 2008 where a huge wave of money went into next generation solar and biofuels. Nth Power didn't participate in those investments except for one biofuel deal. Investors didn't understand that in order to get a product to market you actually had to build a manufacturing plant.

Nobody would finance a novel technology. As a result, many of these companies ended up raising up to a billion dollars of venture capital to finance manufacturing plants and it was nearly impossible for venture firms to get a return on that investment.

And then finally, understanding that forces outside of your control can impact an investment. It could be volatility in commodity prices such as oil, natural gas and lithium or events that you can't anticipate. We had an investment in an electricity trading platform just before the Enron scandal. We literally shut the company down a week later.

Q | You're a board member of several firms with a sustainability agenda including Hannon Armstrong (HASI). What are the key learnings for startups involved in green technologies?

Two of my public companies – HASI and Washington Gas, finance clean energy projects. Washington Gas built a $500 million portfolio of clean energy investment projects and HASI currently has $10.7bn of clean energy assets.

The lesson for entrepreneurs who are developing technologies that might ultimately be financed by one of these big players is that the companies won't take technology risk. You need years of operation before most major investors will finance your projects or buy in volume.

For startups that want to work with big companies, they can be good customers, joint development partners and investors but there's a time and place to work with them. Big companies make good investors when raising a series C or D round but, in my experience, not Series A.

Q | Would it have been easier for VC if the Inflation Reduction Act was in place 30 years ago?

The IRA is the largest climate legislation ever passed in the United States and it's creating a lot of positive momentum.

While this is a difficult time to raise venture capital in any sector due to the economic environment and interest rate backdrop, the IRA has made it much easier for climate tech companies and funds to raise capital. The incentives within the Act are offsetting the more difficult macroeconomic forces.

There's just no doubt that starting Nth Power in 1993, we were way ahead of our time and way ahead of the market. We achieved really good success but having something like the IRA would have been a game changer for us.

Q | Tell us about one of the most interesting companies you are currently working with?

Almost two years ago, I started advising a spinout of The University of Cambridge called Sparxell, which makes sustainable sparkle, glitter and sequins. Historically, these products have been made out of plastics or minerals and Sparxell has created purely plant-based products.

It's rare to have a consumer facing brand in clean tech and this company has had so much customer interest before it even got out of the lab.

One in three cars in the U.S. and one in four in Europe has metallic paint; construction companies use its reflective properties to cool buildings.

It's also used in makeup and clothing, which leverages the trend towards sustainable fashion.

Q | What's more important, favorable policy, strong funding or catching the megatrend?

Let's first talk about the megatrend. Megatrends by definition are fleeting, however, there are plenty of investors who've made money in these periods.

During the SPAC craze of 2020 and 2021, some investors exited clean tech investments at very high valuations but those are fleeting rather than fundamental. The current class of VCs investing in climate technologies are going to be really successful because the market's ready.

Policy combined with strong funding go hand in hand and they are really two elements of creating a sustainable long-lasting market. When we made investments, we tried to discount policy and regulation because it could always be overturned. A company's value proposition had to stand on its own.

Having said that, I believe the IRA is going to be in place for a very long time.

Q | How do you see the future of clean energy and which technologies are you most excited about?

I'm most excited about carbon capture. An interesting study just came out from Lawrence Livermore National Labs analysing the carbon capture potential county by county in the United States. We can't just rely on cutting emissions but also removing the existing carbon we produce.

I'm very interested in sustainable agricultural and food and going back to my wind days I would love to see the full potential realized for offshore wind as baseload power.

In terms of the future of clean energy, we have a large portfolio of technologies that have already been developed and the key now is scaling them to create impact. The IRA will provide some of the tailwinds to make scaling a reality.

Q | How concerned are you about climate change?

I'm an optimist by nature but I'm very concerned at the same time and think about it every single day. It's why I will never completely 'retire' and why I continue to serve on climate related public company and nonprofit boards.

Once you've been in the climate fight you can't get out as the problem isn't going away. It's alarming to watch the wildfires here in California and the drought in my immediate vicinity. I travel all over the world and see similar stories wherever I go.

Q | Have we been too slow in taking decisive action?

Over the last 10 years we have mobilized institutional investors and put pressure on public companies to adopt climate goals. Once the investor community wakes up and uses its heft to persuade companies to commit to climate goals, that begins to change the game.

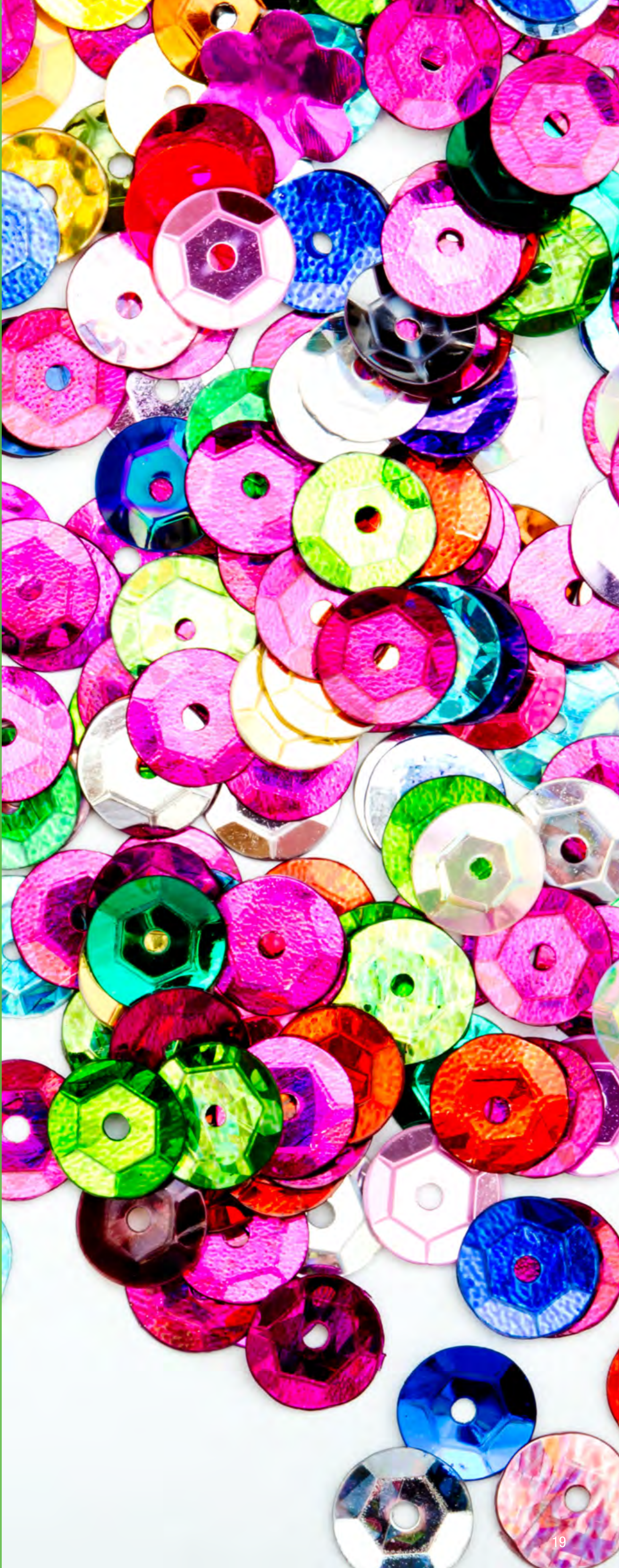
Over the past 12 months the investor voice has been weakened but I believe that's short-lived. I think in terms of years rather than months and since the climate crisis demands action, I'm hopeful that voice stays strong.

Q | Who's your sustainable hero and why?

I have several sustainable heroes and I will name a few. First, Amory Lovins. Amory and I interfaced in the 70s and at the time he was the most impactful and persistent early voice on use of energy for sustainable development.

I would also cite Mindy Lubber, CEO of Ceres, who has brought the investor community to the table on climate action. She's been a warrior, dedicating the last 15 to 20 years to putting Ceres on the map.

And as a nonpartisan grounded voice on climate issues, Jeff Eckel, executive chair of HASI who took the company public in 2013. Not only do I admire him for financing billions in sustainable assets, bootstrapping his way to now having $10.7bn of managed assets without a strong balance sheet but also for the company culture that he's built. Jeff has maintained a focus on diversity of thought, maintaining transparency and respect for the company's employees while being mission driven. I respect his character as a CEO who has become a major player in the area of clean energy finance.



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