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April 12, 2011

Smart Grid Venture Capital Funding Off to a Slow Start in Q1 2011



By Cheryl Kaften

TMCnet Contributor

Venture capital (VC) funding in the smart grid sector decreased significantly in Q1 2011, with just \$76 million raised in 13 deals, according to a [report](#) just released by [Mercom Capital Group, LLC](#). In comparison, VC funding in Q4 2010 was \$188 million, raised in 18 deals—up 40 percent over Q1 2011 performance.

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"After a 2010 banner year for smart grid, it remains to be seen if the first quarter of 2011 was an anomaly or a trend," commented Raj Prabhu, managing partner at Mercom Capital Group.

Prabhu says there is still reason for optimism because, "The first quarter of last year [2010] also started slow[ly], with only \$89 million raised by VCs—then picked up significantly in later quarters." In fact, smart grid had its best venture capital funding year ever in 2010, up 88 percent over 2009.

What's more, the drop in activity may actually have been triggered by the U.S. government's effort to prime the economic pump! Simply put, a \$3.4 billion [Smart Grid Investment Grant](#) (part of the [American Recovery and Reinvestment Act of 2009](#)) promised by the Obama Administration has not yet trickled down to the industry players. In response, smart grid activity has halted, as firms delay spending their own funds in the hope that they will receive stimulus money.

Despite the "wait and see" attitude prevalent so far this year, 21 different venture capital firms participated in the Q1 2011 funding rounds. The United States topped the list in venture capital activity, both in terms of amounts invested (more than 80 percent of the total) and number of deals (eight deals out of 13).

Four of the top five deals were based out of the USA—including [GridPoint](#) with \$24 million, [Control4](#) with \$15 million, [Viridly Energy](#) with \$14 million, and [Powerit Solutions](#) with \$5 million. The fifth-largest deal was made by the Canadian company, [Utilicase](#), which won a \$5 million investment from [Cycle Capital Fund I](#), a Montreal-based cleantech investment fund.

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Merger and acquisitions (M&A) were also down in Q1, with \$300 million in nine recorded deals. Only

two deals disclosed amounts. The most significant deal was [Schneider Electric's](#) acquisition

of [Summit Energy](#), a provider of energy management services, for \$268 million.

About Mercom Capital Group

Based in Austin, Texas, the Mercom Capital Group is a global clean energy communications and consulting firm. Mercom delivers industry market intelligence reports covering solar energy, wind energy, and smart grid. To get a copy of Mercom's popular market intelligence reports, visit:

http://mercomcapital.com/market_intelligence.php.

Cheryl Kaften is an accomplished communicator who has written for consumer and corporate audiences. She has worked extensively for MasterCard ([News - Alert](#)) Worldwide, Philip Morris USA (Altria), and KPMG, and has consulted for Estee Lauder and the Philadelphia Inquirer Newspapers. To read more of her articles, please visit her [columnist page](#).

Edited by [Juliana Kenny](#)



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