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ERIC WESOFF: SEPTEMBER 14, 2011

Peter Thiel Doesn't Like Cleantech VC, Mankind

Cleantech too difficult for software and social networking investors.

Peter Thiel, known as the "Don of the PayPal Mafia," declared clean technology a "disaster" at *Venture Beat's TechCrunch Disrupt 2011 conference in San Francisco*.



photo by the Thiel Foundation, creative commons

OK, folks, go on home. Stop all this saving-the-world, green-energy stuff. It just isn't working. Thiel has spoken.

Thiel is a billionaire libertarian hedge fund manager and venture capitalist who founded PayPal and was an early investor in Facebook and LinkedIn, amongst other software, social network, and data analytics companies. He endorsed **Ron Paul for president in 2007** and **Meg Whitman** for California governor in 2010. Thiel has begun a "20 Under 20" **grant program for young entrepreneurs** through his **Thiel Fellowship program**.

Thiel said at the *TechCrunch* event, "Cleantech is an increasingly large disaster that people in Silicon Valley aren't even talking about any more," adding, "The failure in energy and transportation points to a larger failure in clean energy -- we aren't moving any faster, literally, than we were when modern airplanes first came out," as quoted in *Venture Beat*.

Greentech Media is talking about it. And so are plenty of Silicon Valley venture capitalists. And Thiel, evidently, hasn't driven a Tesla.

So, he isn't a fan of cleantech -- or at least the way cleantech investments have progressed.

Judging by these quotes in a **Cato Institute essay**, other things that Thiel doesn't like include poor people and women.

- "I no longer believe that freedom and democracy are compatible."
- "Since 1920, the vast increase in welfare beneficiaries and the extension of the franchise to women [voting-ed.] -- two constituencies that are notoriously tough for libertarians -- have rendered the notion of 'capitalist democracy' into an oxymoron."

The first words of his Cato essay are, "I remain committed to the faith of my teenage years." Which sounds about right.

There's no disputing **Thiel's immense software, internet, and financial insight and success**.

But calling cleantech "a disaster" when three cleantech IPOs have already launched this year and six more are on deck seems willfully ignorant. Daniel Yates, the CEO of Opower, notes, "Cleantech hasn't been a failure. It's VC investment in cleantech that has been troubled."

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I would suggest that it is the height of arrogance to apply the lessons learned in Thiel's sectors of expertise to green technology and renewable energy. Facebook, LinkedIn, and PayPal hardly had a 100-year incumbency to displace.

Social networks, with their arguable value, are computing problems. Renewable energy, in most cases, is a materials and mechanical engineering problem. You can't just put 12 software engineers in a room with a foosball table and some ramen and get a better biofuel in 18 months. Solar panels are hugely capex-intensive high-tech commodity products. Smart grid improvements might come in the form of networks and software, but they are massive undertakings -- Silver Spring Networks, a smart grid network platform, has taken a decade and hundreds of millions of dollars to get to its current IPO filing stage. In **Vinod Khosla's viewpoint**, the smart grid is going to be less about software and more about power electronics.

And advances in power electronics scale differently than software and social networks.

It's almost too simple an argument to win, which makes me wonder what Thiel really had in mind.

I'd also take issue with the idea that software, apps, and **hackathons** are going to have a material impact on energy usage. Sunil Paul, also an IT entrepreneurial success, albeit on a smaller scale than Thiel, has been leading an effort to "demonstrate the impact of applying information technology to resource constraints." Activities like analyzing traffic patterns, developing algorithms for ride sharing, and creating iPhone apps for turning on your appliances remotely may be cute, but they don't make material differences in energy usage. Perhaps there are some impactful water or farming or home monitoring applications yet to come from the **dataset jockeying** which Paul embraces.

Even the most prominent of the analytical software greentech startups, **Opower**, while experiencing some success in revenue and customer acceptance, makes a rather small impact on reduction in energy usage -- somewhere in the two to five percent range. (Daniel Yates, the CEO of Opower, notes that a two percent to five percent reduction is "no small feat.")

Still, if that's the best that the software engineers can do to impact energy usage -- I'd suggest we let the hardware engineers get a bigger share of the VC money.

And let the IT investors **get out of the way**.

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29 Comments



Tyler Tringas 09/14/11 1:27 PM

So many VCs thought, well I know a lot about SaaS or e-commerce so obviously I will be a good investor in something like, say, wind turbines, where the upfront cost of a fab is in the \$100s of millions on the price of ONE unit is \$1-2m. Completely agree w/ author, if there is a failure, it is cleantech VCs, not cleantech.

Oddly enough, many of the business models Thiel and his crew would be good at supported require that the "real" market actually exist. The clean energy market is only just now becoming mature enough to need to ancillary services (its own PayPals and Salesforces)... hence all the buzz about Cleanweb, which is going to be great for VCs.

Reply



Midwest Solar 09/14/11 1:33 PM

Here is an interesting thought.

Just because someone has been successful in a business, market, sector, or even several. And just because they have millions or billions of dollars.

How about we stop treating them like everything out of their mouth is the word of Law.