Technology Deployment At What Price?

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Distributed Energy Financial Group

The Distributed Energy Financial Group (DEFG) is a specialized consulting and financial services firm providing services and information products designed to increase market opportunities and raise capital for DE and energy technology companies. In addition, DEFG excels at sector analysis, due diligence analysis, and market research. The unparalleled engineering, policy and financial skills of the DEFG associates support our mission.

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Is Price Transparency Sufficient For Deployment?

The short answer is no.

- Price is one component of a customer's decision. Price is important in that it monetizes a value added by the technology provider that was either hidden/ bundled in the tariff or not apparent beforehand. And price may be not even the most important component in relation to other values.
- Having customers – in other words, having market viability, cash flow and growth prospects – is only one of component of an investment decision.
- Unless entirely publicly funded, or self-financed through internal cash flow or resources, technology deployment at the deployment/ commercialization stage is more dependent on whether suitable financing can be arranged for either the company or the project.
- Early stage financing allows for testing of alpha and beta units of technology.
- Customers (cash flow) allow for the next rounds of financing.
- Financing enables deployment and growth.

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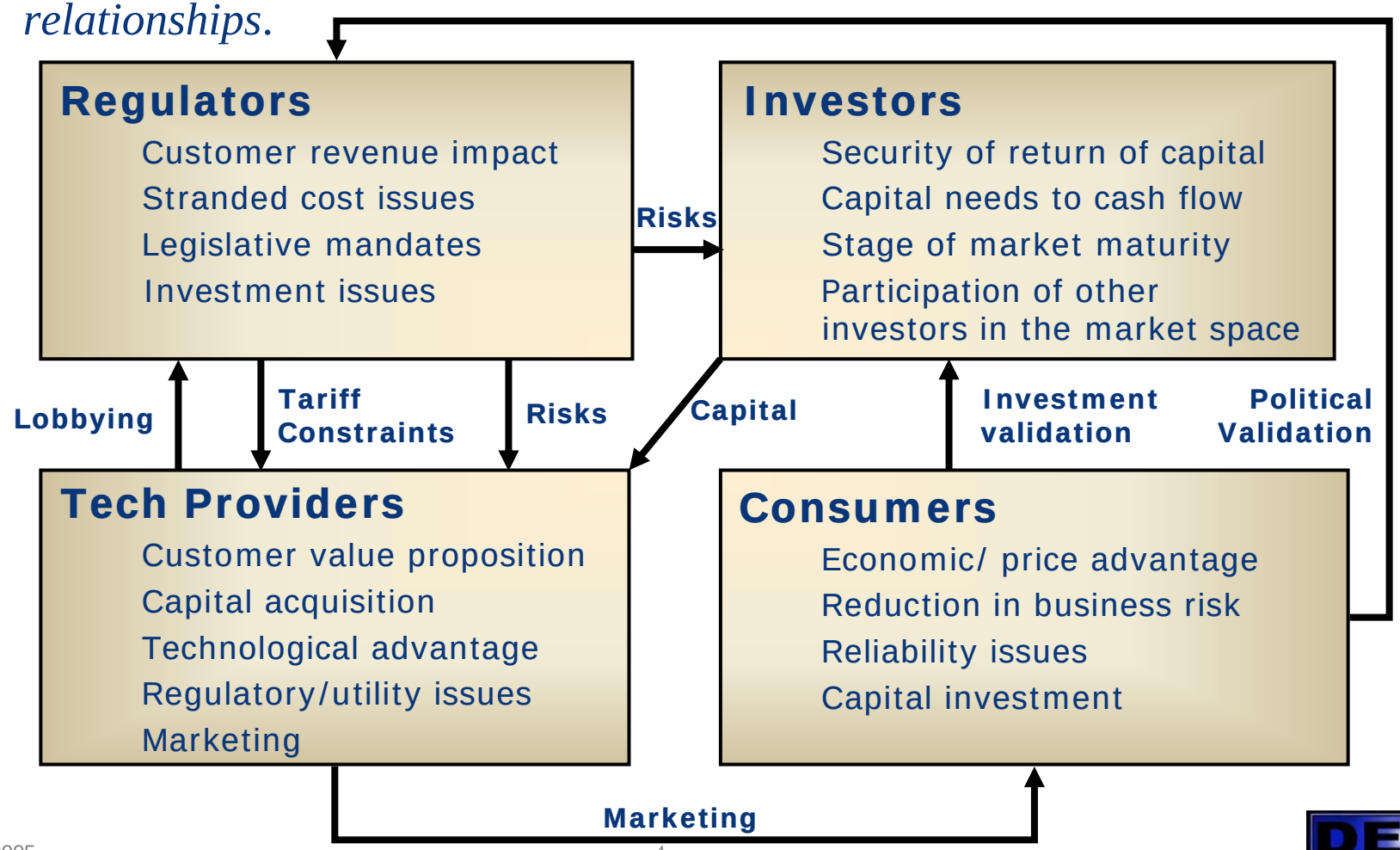
Financial Issues & Parameters

Investors will provide capital only when they understand *all the market relationships*.



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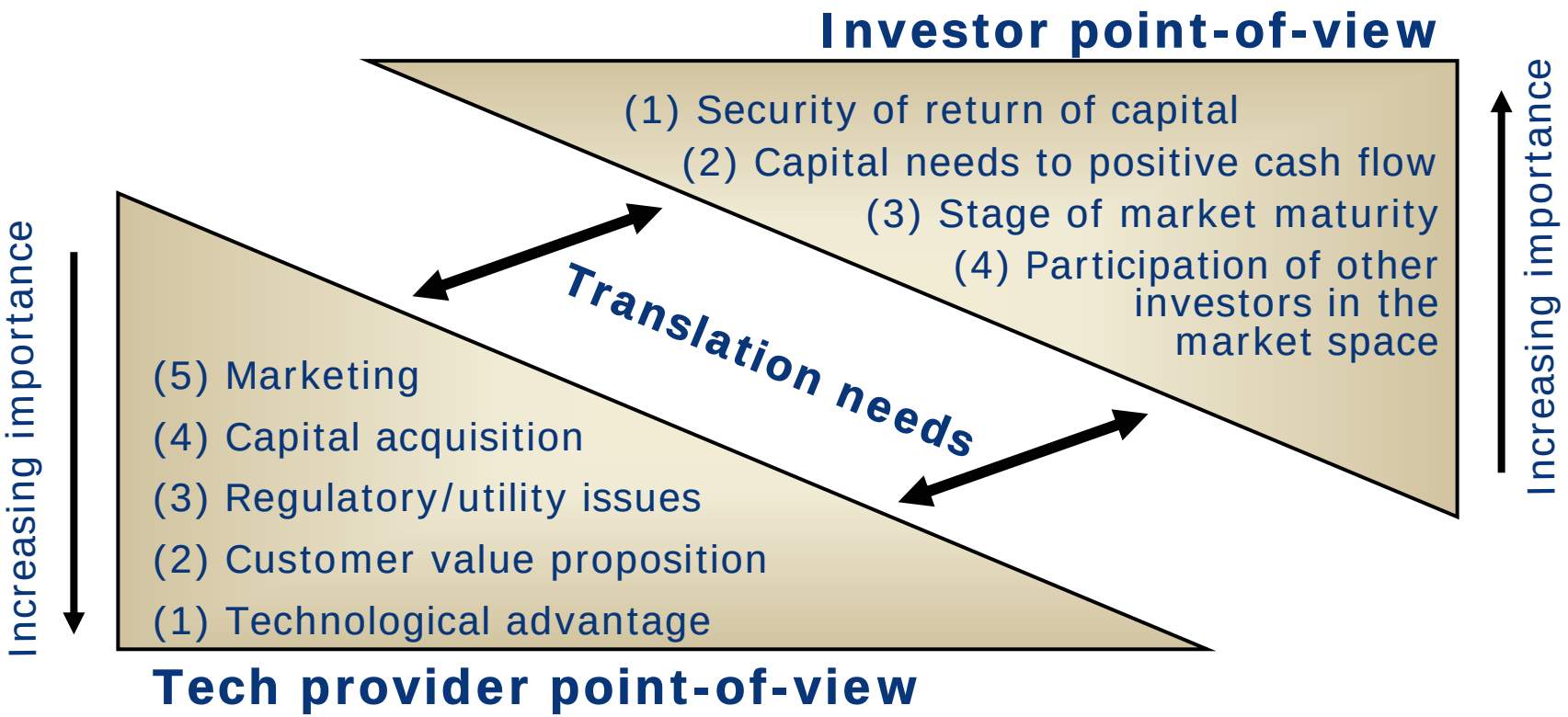
Financial Issues & Parameters

Technology providers and investors often do not speak the same language.



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Top Reasons Given For Declining Deals

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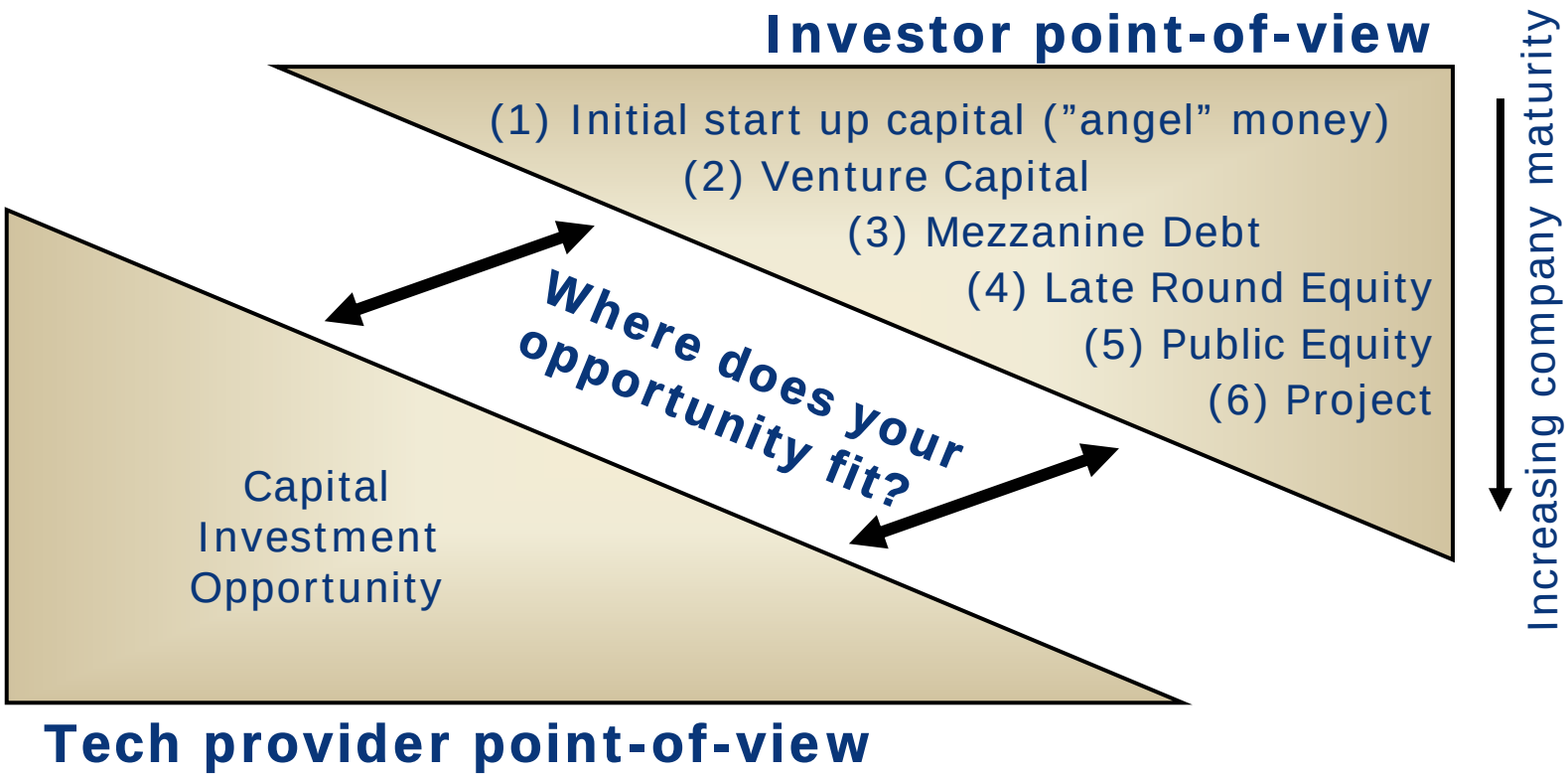
Financial Issues & Parameters

The investment profile is another "translation" matrix.



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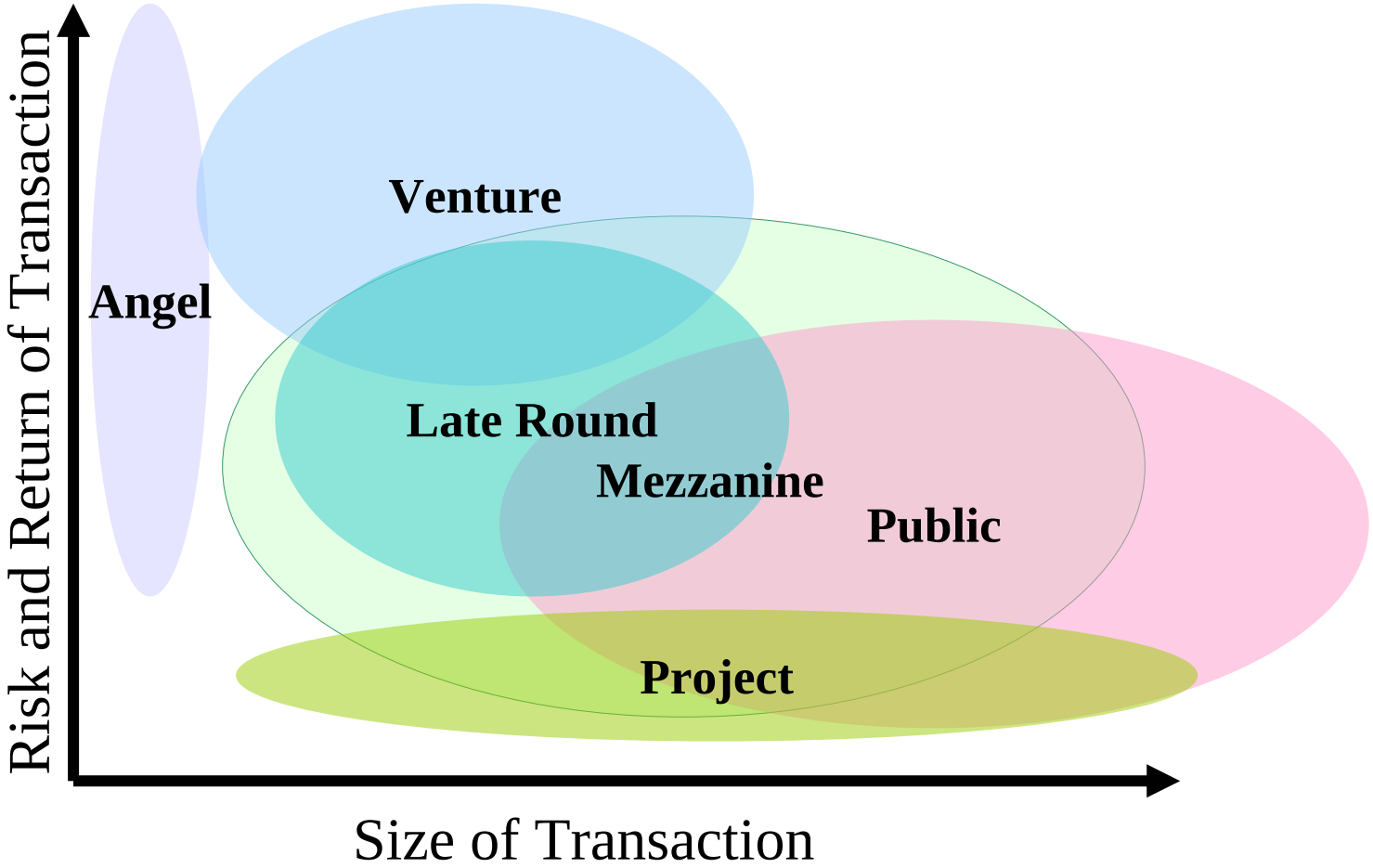
Segmenting Financial Markets



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Good News

Despite the lack of price transparency, and little prospect for the infrastructure (smart meters) and regulatory decisions to be in place in the short-term for the customer to even see the unbundled price let alone react to it, the deployment of new and alternative energy technologies should pick up considerably over the next five years.

Why? There is more interest on the customer/ market side, particularly utilities, dictated by non-price related demand; but more importantly, because a growing investor appetite for such investments exists.

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Venture Capital Trends

Most energy technology companies are early stage companies that are seeking venture capital. It is therefore useful to look at broad trends in regard to overall VC funding.

- The VC market is still fairly conservative as compared to five years ago; however, more capital is building up as investors seek higher returns than what is being offered by other investment vehicles.
- All types of VC investment in the U.S. – early, late, etc. – increased to $20.9 billion in 2004, representing a jump of 12 percent from 2003.
- Early stage investing increased in 2004. A total of 841 deals accounted for $3.9 billion, or 29 percent of all deals and 19 percent of all dollars, compared to 770 deals for $3.4 billion in 2003.
- The National Venture Capital Association predicts an even stronger year in 2005.

Sources: National Venture Capital Association; Pricewaterhouse Coopers; Venture Economics, Thomson Financial

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Trends -- Clean and Green Capital

Investment in the energy technology sector is being most impacted by the growing appetite for "clean or green" investments.

- According to Cleantech Venture Network, energy technology accounted for 3 percent of overall venture capital investments. By broadening the category and calling in "clean or green," energy technology is now capturing 10 percent of all venture capital. This places the energy technology sector as the sixth biggest category.
- Investments in "clean or green" technologies shot up 41 percent in the first quarter of 2004.
- Investments in West Coast energy tech companies attracted more investment than all other regions in North America combined -- $156 million in the first quarter of 2004. The investments represent a 138 percent jump over the fourth quarter of 2003.

Sources: Cleantech Venture Network and "Capital Ideas," Ed Ritchie, Distributed Energy Magazine, March/ April 2005.

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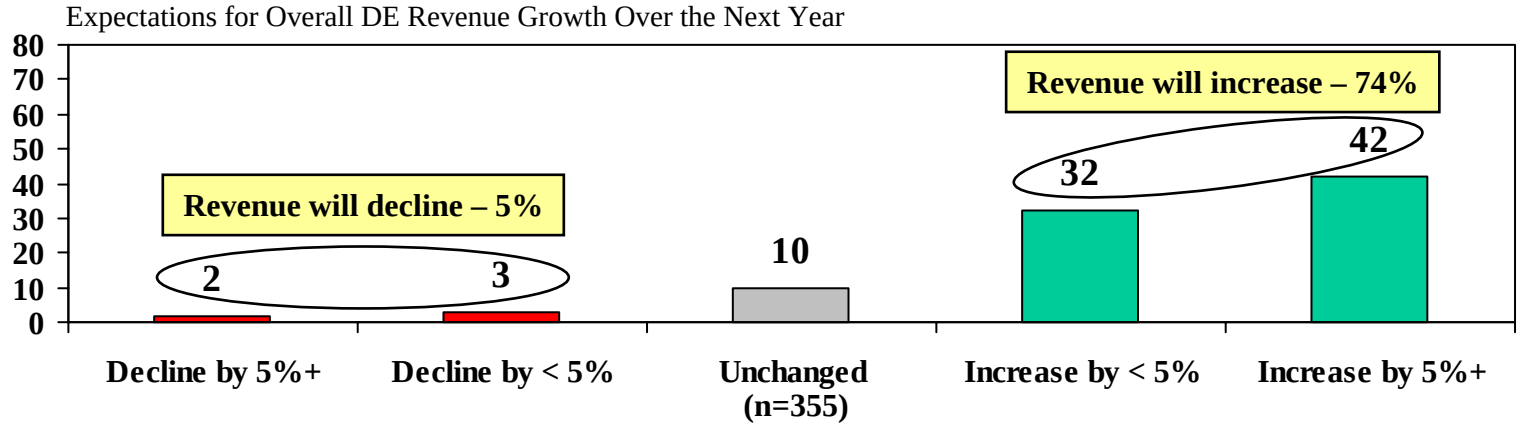
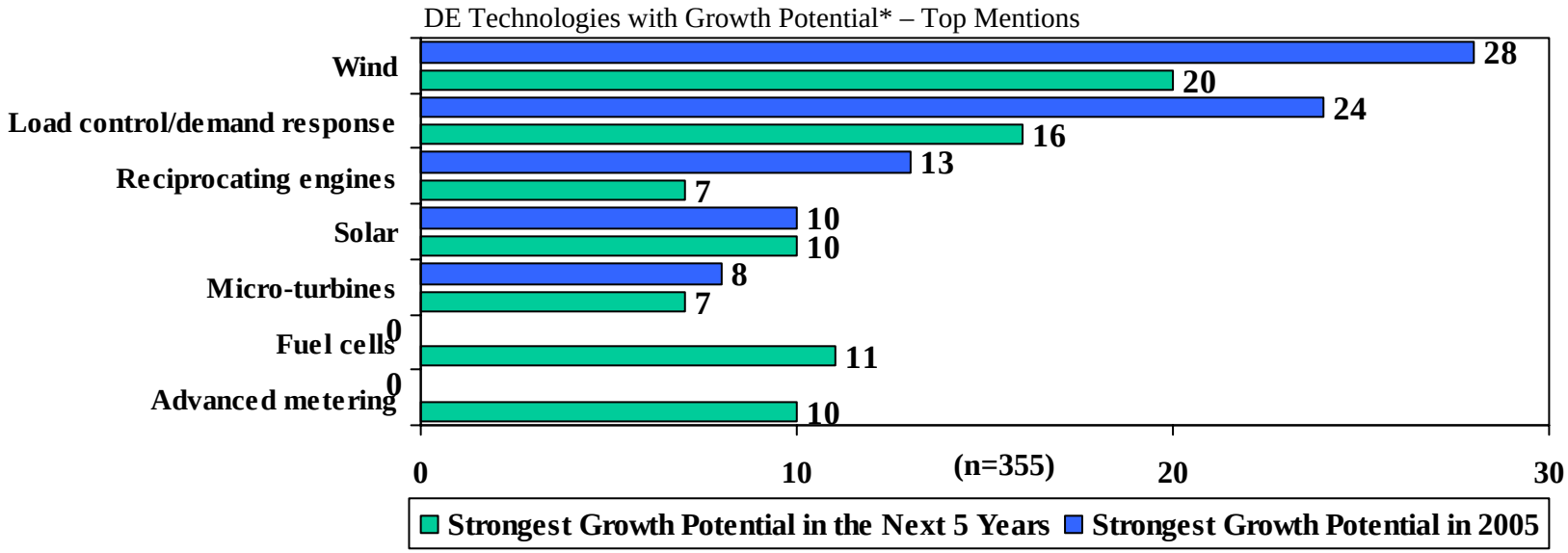
DE Industry Growth





Q9. Please identify the particular distributed energy technology that you feel has the strongest growth potential in 2005.

Q10. Please identify the particular technology that you feel has the strongest growth potential during the next five years.

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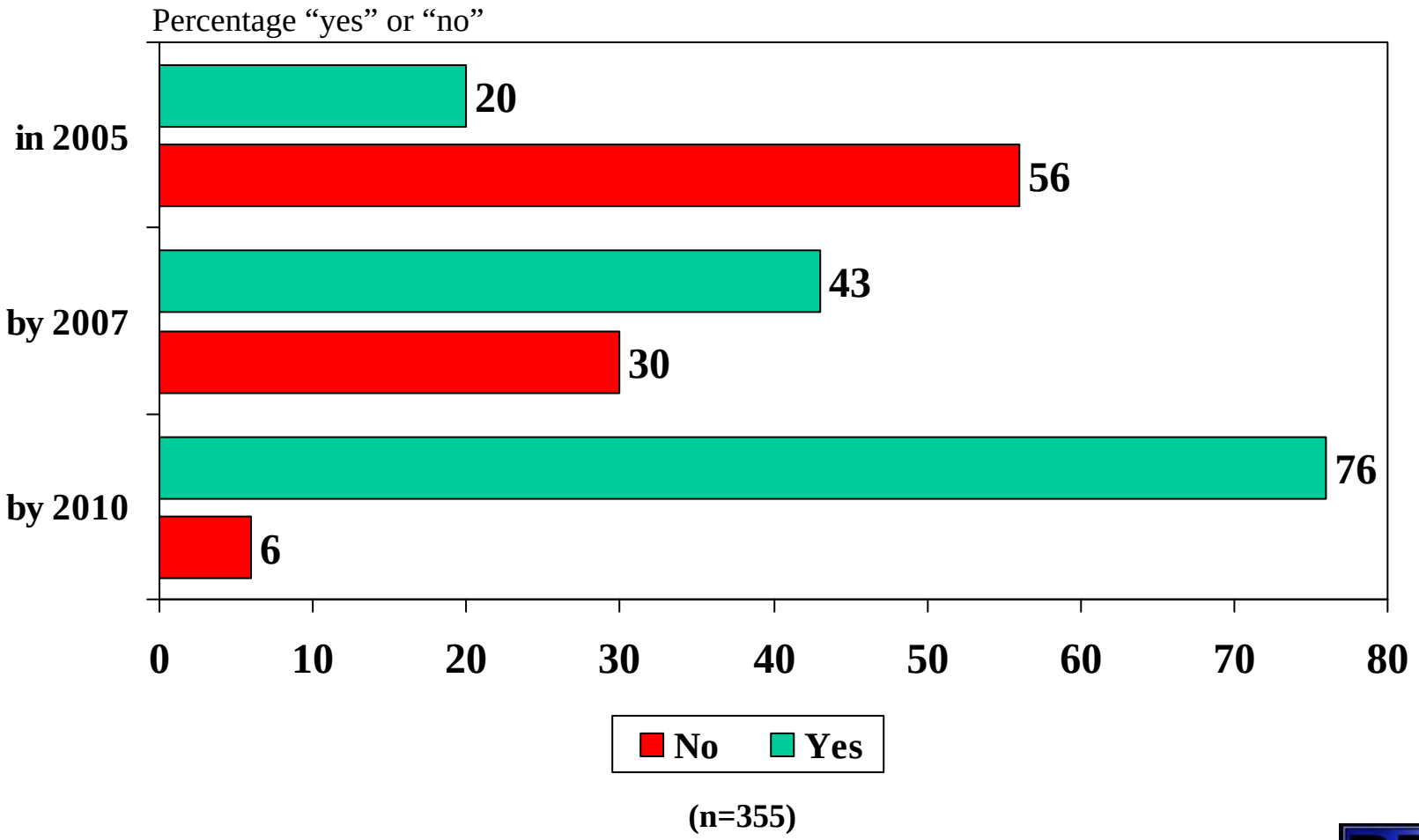
DEFG MSI Market Survey. Do you think the distributed energy sector as a whole is/will be profitable...



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