



Open Letter to Climate and Energy Transition Leaders:

One CEO's outlook and what we
need to do, together

Scott Jacobs | Generate Capital | January 2025



The last three years make for a crucible moment in the Resource Revolution / Energy Transition.

How entrepreneurs and investors respond to this moment will determine their viability and separate the best from the rest.

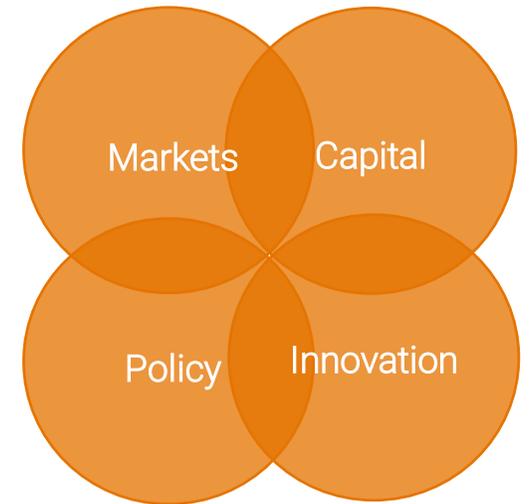
- **Interest rates:** Grew from near zero in 2021 to ~5% in 2024; sticky inflation likely to prevent further cuts
- **Investor pullback:** Over 75% decline in climate tech investing from 2021-2023. Later stage and proven parts of the ecosystem are faring better.
- **Policy uncertainty:** US elections, major changes in governments of most of the G7
- **Geopolitical strife:** Conflicts in the Middle East, Ukraine, and threats in Asia disrupt energy markets and global supply chains
- **Bad news:** Persistently negative and worsening news cycle on climate and climate tech
- **Inflation:** Reached >8% levels in 2022 in many countries; supply chains disrupted by pandemic

Success at transitioning our economy requires mobilization of and collaboration across four key spheres which don't naturally work together.

China has a head start. To catch up, the world needs to take advantage of what has happened to date and do a better job coordinating a meaningful industrial strategy



Current industrial strategy:
Siloed, disconnected, inefficient,
not resilient



Coordinated industrial strategy: efficient, cohesive, resilient

HEADWINDS AND TAILWINDS

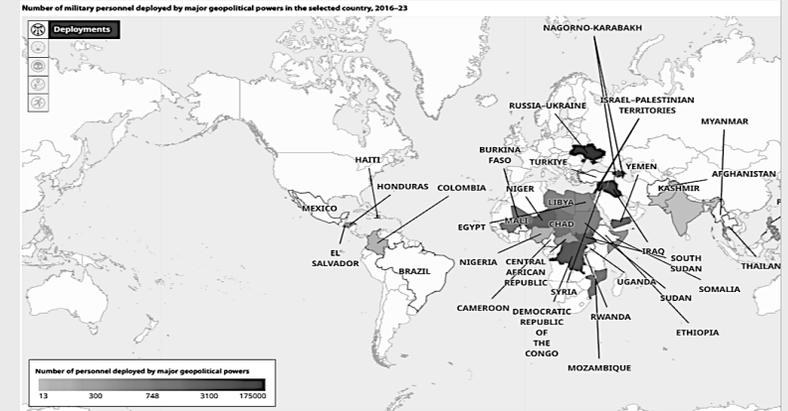
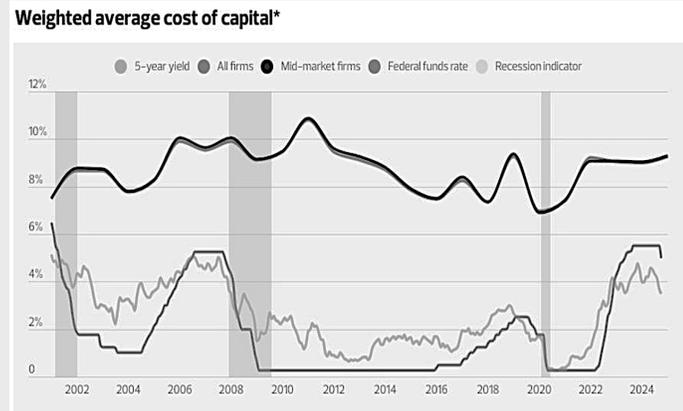
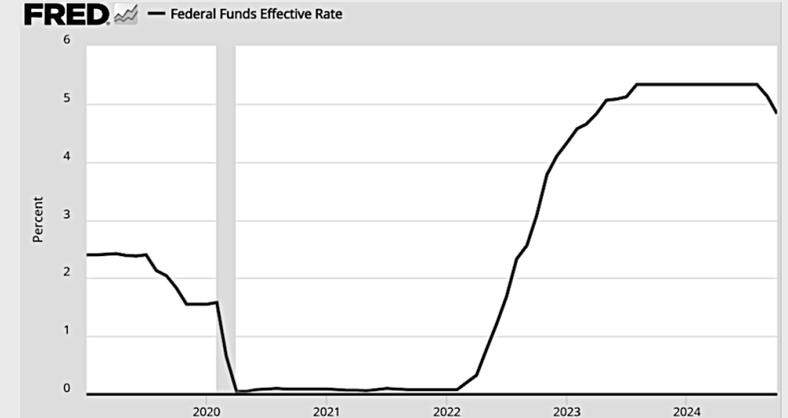
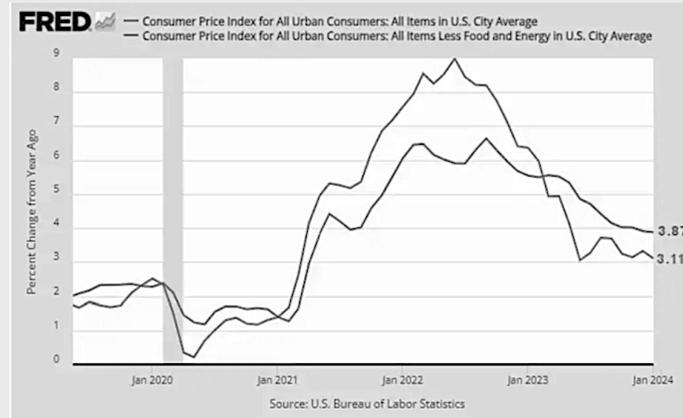
Mixed signals and uncertainty across these four interlinked spheres creates volatility, a poor bedfellow for infrastructure investors

	Policy	Capital	Innovation	Market/Customers
HEADWINDS	US elections; major changes across the G7; increased pushback; public capital and benefits sometimes too slow to reach communities.	Climate tech investment is down and will get worse. Infra fundraising is also down. Cost of capital and inflation remain high.	Fewer successful exits, plenty of bankruptcies, commercializing FOAK is hard; geo-economic conflict hinders innovation transfer.	Educating and expanding the customer base is an ongoing process. Negative sentiment, uncertainty and political targeting slow this.
TAILWINDS	The transition is larger and more durable than ever. Even with coming roll-backs, support will be at greater levels than 5 years ago.	Infra LPs remain motivated; private debt fundraising is stable; banks happy to lend to strong economics; energy transition investment is up.	Core technologies continue to improve and get cheaper. Technology developers with strong fundamentals continue to secure capital.	Customers want clean power and can be more strategic than governments. Many energy transition products are simply better.

Customers are the reason for hope: They drive the transition, but without others, the transition will be slower, more volatile and more challenging

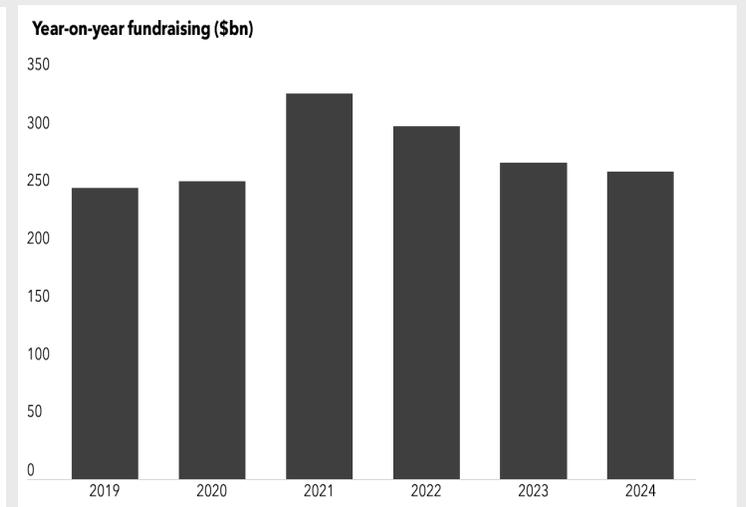
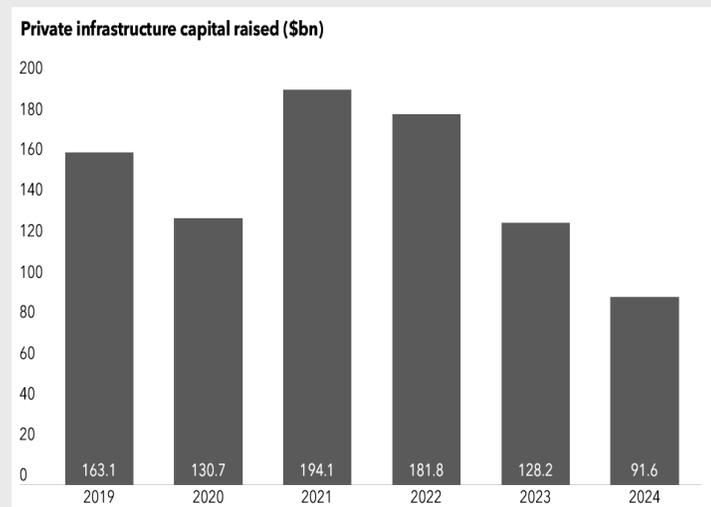
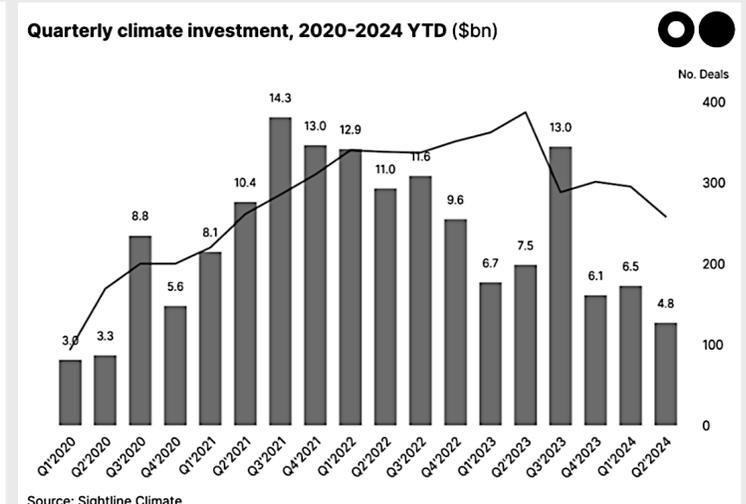
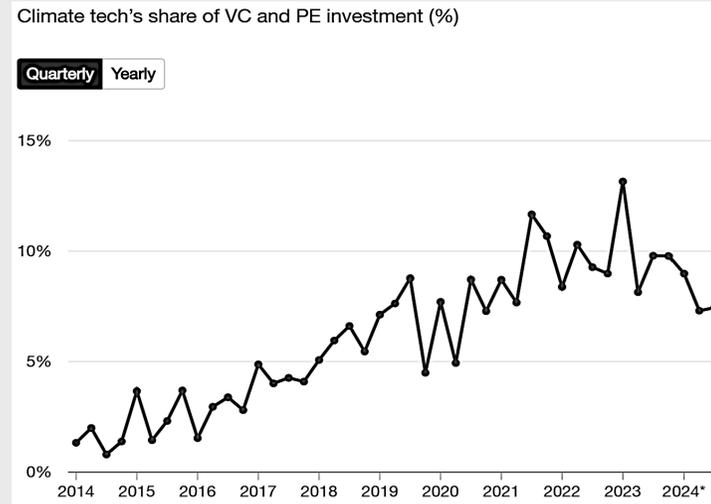
CAPITAL

The Resource Revolution needs trillions of dollars of many flavors. Capital flows depend on greater geopolitical and macroeconomic stability than we've had for the last few years.



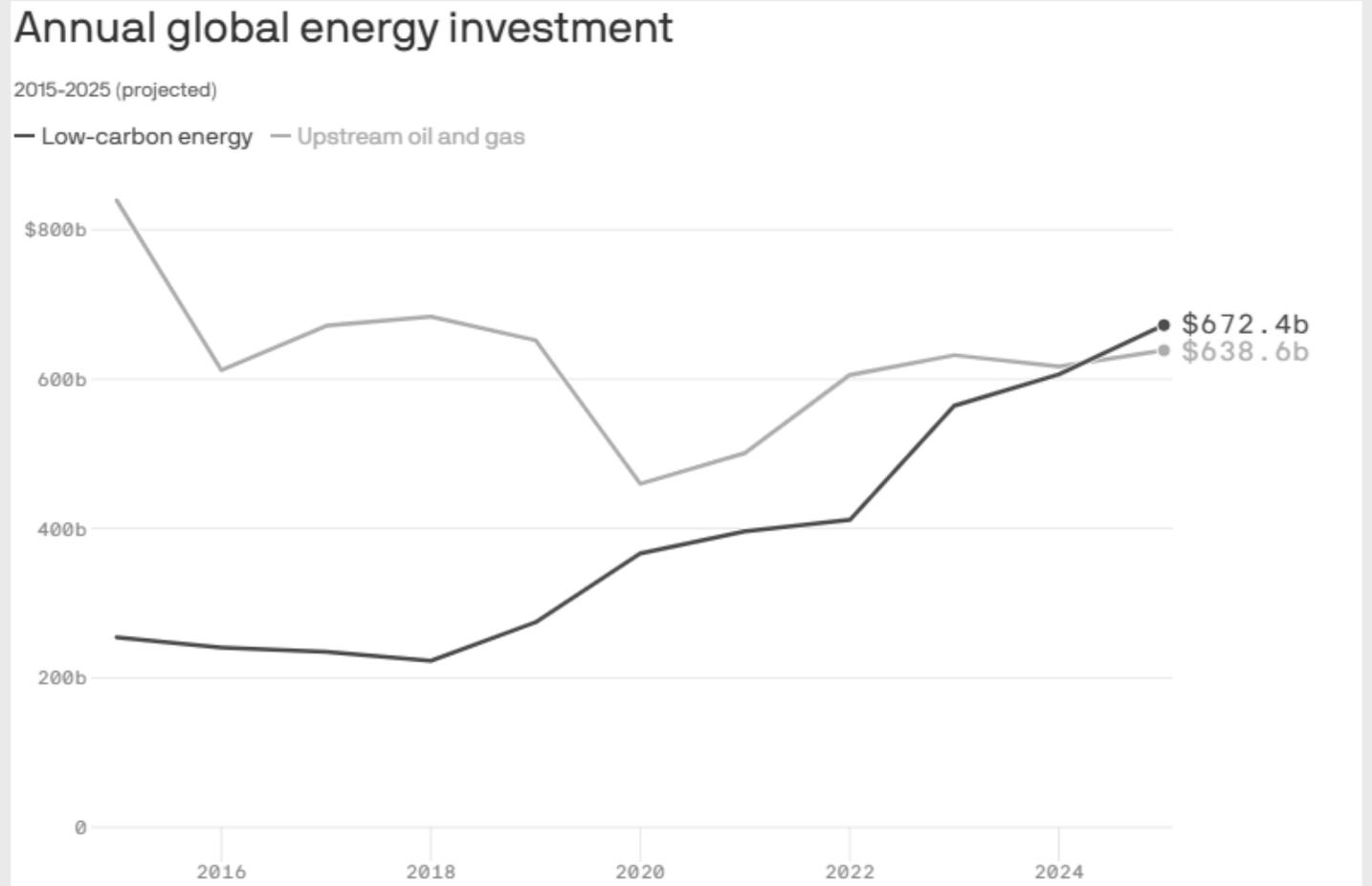
CAPITAL

Climate tech investment is down to 2019 levels; without successful exits, the trend will worsen. Infrastructure capital has dropped off, but private debt is stable.



CAPITAL

While investment in newer climate technologies has fallen off, funding for more mature technologies continues to rise.



INNOVATION

Despite real progress, the headlines are bad, with more likely on the way – but the truth is not always in the headlines.

EUROPE NEWS

Northvolt CEO resigns as Europe's big hope for a battery champion files for bankruptcy



More cleantech companies fail as fundraising challenges emerge



Wind power giants find little shelter from sector troubles



Climate tech SPACs struggle in choppy market



POLICY

Uncertainty remains, and pullbacks may be forthcoming

Trump's victory promises to shake up U.S. energy and climate policy, analysts and activists say



ESG, climate rules at stake under a second Trump term



Morning Bid: China inflation, global political uncertainty bubbling up



Trump vows to pull back climate law's unspent dollars

POLITICO

CUSTOMERS

The bright spot as demand continues to grow

Meta signs quartet of solar purchase agreements with Invenergy



US green power demand expected to grow regardless of election outcome



Google, Intersect Power to develop co-located energy parks with \$20B of renewables, storage



US green hydrogen market grapples with growing renewables demand, hourly matching



We've seen this movie before:

Tough times = back to basics

- 1 Cash is king
- 2 Economic fundamentals matter: Solving real problems for customers gets you paid
- 3 The transition happens (real) asset by (real) asset
- 4 Cleantech 1.0 = Cleantech 2.0 too often: new tech is risky for infra financiers and operators, so the original Valley of Death remains real and rational
- 5 Broad brush strokes (like these!) are dangerous. Climate is a theme, not a sector, and that theme is productivity of resources – doing more with less is broadly applicable, but narrowly applied
- 6 Proofs, not promises, build credibility, create trust and mobilize resources

Like before, winners emerge from the wreckage. Some even dominate entire trillion-dollar sectors. But this is a long game and inertia favors incumbents, so our industry needs to be better.

TESLA STOCK PRICE: 2010-2024



ENPHASE STOCK PRICE: 2012-2024



HASI STOCK PRICE: 2013-2024



BROOKFIELD RENEWABLES STOCK PRICE: 2010-2024

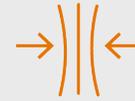


It's wartime mode for climate entrepreneurs and investors

“ Once we have a war there is only one thing to do. It must be won.

ERNEST HEMINGWAY

To play the long game, we must win the short term first to stay on the field.



RESILIENCE

Cash runway



FOCUS

Ruthless prioritization –
Customers, customers, customers
Profits, profits, profits



PREPARATION

Scenario planning (If/then)
Team competency reevaluation
Efficient decisions

Resilience, focus, and preparation: The best have already pivoted

DEVELOPERS

Regularly recycling assets to generate cash for reinvestment; contracting cash flow to source debt financing

TECHNOLOGIES COMPANIES

High-quality credit-worthy customer contracts; not asking lenders or operators to take technical risk

INVESTORS

Delivering highly tailored capital solutions while remaining disciplined, selective, deeply domain expert and investing with the appropriate time horizon

LEADERS

Ruthless prioritization and focus, candid competency assessments for a different cycle, agility through financial resilience

Wartime mode for us – what we've done



RAISED CASH

Multiple types of capital raising and asset recycling



DISCIPLINE

Scenario based budgeting, enhanced performance management, supply chain optimization, margin expansion, updated investment criteria



CUSTOMERS FIRST

Focus on customers who are not looking back on decarbonization, resilience, and cost savings measures



STRATEGIC AND TACTICAL PLANNING

Ruthless prioritization of key initiatives and growth opportunities

HOW CAN WE HELP?

We're in this fight together.
It will take all of us... and more.



G GENERATE

LET'S REBUILD THE WORLD TOGETHER