



Energy

Overview

Over the next several decades, the transition to next generation forms of energy production will be one of the most significant industrial transformations in the global economy. Development of new energy technologies is one of the greatest challenges and growth opportunities that exists. Venture capital, as in many industries of the last half of the 20th century, plays a critical role in this transition through the identification, funding, and support of entrepreneurs and high-growth startups focused on unlocking new energy resources, creating tools for more efficient energy usage, and improving energy storage capabilities.

Unfortunately, the U.S. is not at the forefront of this technological revolution. Policy uncertainty coming from Washington impairs predictability, a critical element entrepreneurs and venture capitalists need to assess and understand before making the long-term risk investments that are typical in energy entrepreneurship. We run the risk of losing the race for creating the leading energy technologies of the future, along with the job creation and economic growth benefits that will come with leading fundamental change of one of the world's largest industries.

NVCA is committed to advancing policies that encourage the growth and development of young energy technology companies in the U.S. that are on the cutting edge of innovation in the energy sector.

Policy Recommendations

Reform the tax code to encourage U.S. alternative energy leadership

NVCA supports tax reforms that would encourage development of alternative and non-traditional energy sources, with a focus on new technologies created by entrepreneurial startups. While some incentives currently exist in the tax code to promote clean energy development, they are not nearly enough to catalyze the environment necessary to propel the U.S. to be the global leader in new energy technology development. In addition, there should be a more substantial focus on tax policy that encourages the creation and growth of energy-focused startups since young companies are where a disproportionate amount of U.S. innovation takes place.

Increase investment in clean energy research

Renewable energy research investments, such as the Department of Energy's Advanced Research Projects Agency-Energy (ARPA-E) and the national laboratories, are key to energy innovation. Public investment in basic and applied research is core to U.S. global leadership in technological innovation. Federal research is a crucial component to developing alternative energy technologies that are the building blocks of new venture-backed companies, creating jobs, and enhancing America's energy independence.

NVCA strongly supports efforts to increase funding for ARPA-E, and has raised concerns about efforts to eliminate the agency, as no other entity will be able to stand in and fulfill ARPA-E's critical mission. The impact of the modest funding for ARPA-E in the last eight years is substantial, with 74 projects receiving \$1.8 billion in private funding as of June 2017.

Improve the climate for long-term capital intensive investment in the U.S.

In addition to energy-specific policy recommendations, NVCA supports broader efforts to encourage more long-term investment into capital-intensive industries, of which energy is one of the most significant. Policy changes that improve the environment for this type of investment and encourages those investors with a longer-term investment horizon to increase their involvement will encourage American energy entrepreneurship.

Specifically, NVCA supports efforts to make the U.S. public markets more welcoming to small capitalization companies, particularly those with longer-term investment needs. NVCA also supports tax changes that allow startups to access the benefits of their accrued R&D credits and provide a safe harbor from Net Operating Loss (NOL) limitation rules, which punish startups for investing in innovation and make it harder for capital-intensive startups to find longer-term growth capital.