

# PETER BRUCE-CLARK

Operating Partner at Social Impact Capital

## Patrick NICOLET

On the panel we have Peter Bruce-Clark who is Operating Partner at Social Impact Capital, a venture capital firm that invests in socially and environmentally responsible start-ups. He has quite different views on the role of the private versus the public sector; so, open the debate.

## Peter BRUCE-CLARK

Thank you for the introduction, Patrick. I also wanted to say thank you to the World Policy Conference for having me this year. It is actually my first time at this conference and my first time in Marrakesh and over the last few days I have been so astounded by the programming; it is wonderful, so thank you. Since I am here today as a representative of a venture capital firm, predictably I will be speaking from a market perspective. After all I do investment every day and it is our belief that early-stage venture capital is a key tool in generating social and environmental impact. I also want to say that it brings me immense joy to be amongst all of you here today, an informed international community. I love that we more or less agree that climate change exists and that it is indeed a crisis in the United States, where unfortunately they are experiencing a bit of a gap in leadership. As a consequence, many of us in business and finance have had to step-up.

On the topic of climate solutions, I wanted to say three things. Firstly, the climate crisis is a complex challenge. Secondly, I am going to provide real-world examples of businesses, both in the United States and abroad who are targeting what I think is a humongous market opportunity and I call that the climate industry. Finally, I wanted to touch on how we are talking about the climate crisis. I believe that there are two ways that we need to narrate it and that there are two ways that we should not.

The climate crisis is a complex non-linear, multi-industry systems challenge. It requires various different solutions that leverage the best of all worlds and the market. International and national tax on carbon, subsidies to underwrite clean energy, we are simply saying we should use nuclear. A band aid cannot cover a gaping wound that also fights back. It is like trying to harpoon a giant when what you actually really need is a couple of people with different kinds of darts and ropes to tie it down. What I am more interested in is how we identify and encourage market solutions which make sense relative to the specific circumstances of countries, the drivers of their GDPs and the extent to which those drivers contribute to climate change.

My other basic message is that circular economic ways of thinking will actually be the foundation upon which countries will prosper going into this century. I believe countries who aggressively drive this way of thinking, financially supporting, underwriting and generating huge industries that tackle the climate crisis, will be richer than the ones that do not. Outside on a poster I have a McKinsey quote that says, 'The net benefit of adopting circular economic principles could be worth EUR 1.8 trillion to Europeans'. I actually wanted to go further than this and say that globally the climate crisis is worth USD 26 trillion. To put that in perspective, the global economy is roughly worth USD 100 trillion, so ultimately that is a fourth of the global economy. You might laugh and say that you cannot make money out of climate change, can you? Unfortunately for you, you are wrong, you can, and we are. I want to give you two examples of businesses tapping into the multi-trillion-dollar industry that is climate solutions.

The first example is a company that is one of our portfolio companies, called Prometheus. Prometheus is a San Francisco-based start-up that sucks carbon out of the atmosphere to create gasoline and other fuels. It is the first 'carbon net zero fuel'. The core technology Prometheus uses is a carbon nanotube membrane, which has many applications across climate and indeed within water desalination too. They will soon produce fuel on price parity with



traditional market players and within the next few years, the company believes it will be able to produce at a significantly lower price. Prometheus is just one company that is transforming transportation and energy markets in a fundamental way. A couple of months ago they actually sold their first jet fuel to a company called Boom Supersonic; Boom will only use carbon net zero fuel from now on. We are excited because this is a multi-billion-dollar investment opportunity.

For my second example, I wanted to let you guys into a little secret. This is a plastic recycling company based between Johannesburg, in South Africa and Colorado in the United States. This stealth company can take 90% of waste plastic and recycle it and turn it into fuel, energy and heat. Just so you know, plastic has a higher density than coal and it represents a resource valued at USD 2.3 trillion globally. Their clients include municipalities, large corporate parks, as well as traditional recycling plants. The cool thing about their solution is that it is very low capex, it is cheap to make, it is modular; one unit can basically process one tonne of plastic a day and you increase capacity by just adding another module a bit like Lego. To put this in perspective, if the company had 200 clients globally, it would be generating somewhere between USD 100 million and USD 200 million annually.

It sounds like a terrible business, right? You might have been thinking 'what do these amazing companies have in common?' To me these companies are reframing the externality of problem. Instead of saying 'oh no, we are doomed, climate change is a problem, externalities are terrible', they say 'I love carbon, atmospheric CO<sub>2</sub> is worth a trillion annually. I love waste plastic; nobody wants it and its worth 2.3 trillion'.

The climate crisis is a challenge and it is an emerging set of industries and sectors. So finally, I wanted to tackle something head-on: We cannot and we should not share the views of some of the participants here that it is too late to do anything on the climate front and why should we care. I find that cynicism frankly breath-taking. All is not lost, business as usual is not fine and we challenge the stance by financing companies every year that will ultimately disrupt legacy players who chose not to take advantage of the crisis, players who disregard a multi-trillion-dollar market opportunity. And you know what, we will try to make millions of dollars doing this. As we like to say at Social Impact Capital, the only thing that stops a bad guy with a business, is a good guy with a better business.

I wanted to end on just saying that a challenge by definition is both a risk as it is an opportunity. The climate crisis is a market challenge.

#### **Patrick NICOLET**

Before we move on, I was expecting a bit more on your investment thesis. How much capital do you want to raise? How much capital do you want to allocate? What type of return are you seeing? Do you take any sustainable criteria or new investment thesis to say that maybe we will do a bit less, which will not excite a lot of people? What is your investment thesis?

#### **Peter BRUCE-CLARK**

Our thesis is that we invest globally and regionally. We think that innovation is emerging outside of Silicon Valley and we are frankly very happy about that, because valuations are a lot better. We look for companies where the driver of the business model is a social environmental impact. It is internal to the mode of production; it is not just something that you strap-on at the end. Therefore, we look for companies across an array of different sectors; we are actually sector agnostic. We do care about certain causes and we do prioritize certain causes. I personally prioritize by the extent to which a problem represents an existential risk, so typically from climate, healthcare, all the way down. In terms of stages, we are basically de-risking impact deals that the traditional market will not take.

#### **Patrick NICOLET**

So, how much?

#### **Peter BRUCE-CLARK**

How much?



**Patrick NICOLET**

How much do you want to invest?

**Peter BRUCE-CLARK**

Initially 100 million and then we will go up from there to 250 million up to a billion. We want to deploy, hopefully, trillions of dollars, not our one firm but at least set a market standard of what people should be investing in.

**Patrick NICOLET**

Thank you.