

New player in clean tech: Gulf oil money; Investors who make their fortunes in oil-rich nations are beginning to put money into green-tech companies and portfolios.

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Wealthy investors from oil-rich nations on the Arabian Gulf are beginning to enter the clean-technology market.

They started pouring money into green-tech companies and investment groups with clean-tech portfolios about six months to nine months ago, according to venture capitalist Ghazi Benothman and others in the industry.

"Many, but not all, investors are looking to put money into funds that target relevant clean tech," said Benothman, a partner at Silicon Valley-based Minah Ventures, which invests in start-ups with Middle Eastern connections. "Most of these investors are following the overall trend, but they are also hoping to attract clean-tech investment to their countries. Energy is an industry that the Gulf region understands."

Right now, the bulk of the investment money is going to companies in North America and Europe, Benothman said. But not all of it is leaving the region.

One of the more ambitious related projects in the Mideast is Masdar, a \$250 million clean-tech investment fund unfurled last year. The government of Abu Dhabi (through Abu Dhabi Future Energy) has put \$100 million into Masdar, while Credit Suisse and the Consensus Business Group have put in \$100 million and \$50 million, respectively. Masdar, which means "source" in Arabic, also plans to set up a think tank with the national water and oil companies.

In addition, Masdar is working with the Massachusetts Institute of Technology to set up the Masdar Institute, a graduate-level research and education school in Abu Dhabi, which is part of the United Arab Emirates. The school hopes to start admitting students in 2009.

What's driving such investment in a region whose life blood is oil? On one level, it's standard economics. Solar companies, for example, have been seeing dramatic increases in revenue. Demand for clean building products and water purification technologies have been on the rise. Middle Eastern countries themselves are also big consumers of solar and water technologies.

Masdar, for instance, this month announced plans for a \$350 million solar power plant.

"In the UAE today, we do not suffer from a lack of energy security, but we never want to suffer from it," Sultan Al Jaber, CEO of Abu Dhabi Future Energy, said in the Emirates Evening Post. "We are thinking ahead of ourselves."

The shift toward clean technology is also part of a move on the part of oil-producing countries and their investors to lay a foundation for economic diversity.

Alternative fuels such as biofuels may begin to put a dent in oil imports in the coming decades. New refinery capacity coming on line now could lead to lower oil prices in the relatively near future, John Melo, CEO of biofuel specialist Amyris Biotechnologies, predicted at a recent conference.

A high price for oil, of course, is key for the Gulf region. Rising profits in recent years have fueled real estate and stock market booms. Lower oil prices could also put a crimp on lavish social programs in places like Dubai, where couples can get real estate from the government as a gift on their wedding day.

Economic diversification is probably most advanced in smaller countries like Dubai and Qatar. Dubai has been erecting skyscrapers in an effort to become a regional financial hub and has been heavily promoting itself as a tourist destination. Meanwhile, Qatar has invested billions of dollars to improve its education system.

Several U.S. universities, including Carnegie Mellon and Cornell Weill Medical School, have built satellite campuses there. Qatar has also contracted with U.S. companies to create curricula for elementary schools, according to Michael Connelly, CEO of Mosaica Education, which is working in the country.

Dubai and Qatar have already set up science and technology parks to attract multinationals. These parks are in their infancy, mostly populated by foreign workers. But over time, the governments sponsoring these projects hope that they will provide employment for locals.