

Out to accelerate green tech

Efforts underway to promote sector worth an estimated RM64bil

By JOY LEE

joyly@thestar.com.my



ENVIRONMENTAL concerns have been a global issue for some time now. Resource scarcity, population growth and increasing consumption have forced us to look at alternative energy sources and more sustainable methods of living.

Fortunately, growing awareness about global warming and climate change have led to increased interest in clean technology or cleantech.

Apart from just answering a call to save Mother Earth, cleantech has also become a growing opportunity for the business community.

A recent World Bank report noted that investments in cleantech in emerging markets over the next decade are estimated to exceed US\$6tril (RM20.1tril), of which US\$1.6tril worth of business opportunities could trickle down to the small and medium enterprises (SMEs).

Locally, the cleantech industry is also attracting growing interest from policymakers and investors.

"Previously, there were opportunities in other fields. Green technology is a relatively new sector here. But we see that the lucrative sector offers great opportunities for Malaysian cleantech startups," said Abd Halim Mohd Bisri, managing director of investment and technology nurturing organisation MIGHT Technology Nurturing Sdn Bhd.

According to MIGHT, industry investment opportunities from 2014 to 2020 are expected to total RM64bil locally.

Growing cleantech

SMEs in the local cleantech industry received a boost last year with the launch of the Malaysia Cleantech Programme, which is being



1 The wind turbines of TNB's Solar-Wind-Diesel Hybrid Power Generating System on Pulau Perhentian Kecil. Clean energy and technology increasingly offers opportunities for SMEs.

2 Leong (left) with Braithwaite during the Investor Connect 2014 panel session recently. Leon says there is a need for the government to address funding needs for SMEs and startups.

supported by the UN Industrial Development Organization and The Global Environment Facility (GEF-Unido) Global Cleantech Programme.

As part of GEF-Unido's efforts to expand its cleantech accelerator programme on a global platform, Malaysia was among the few countries selected to participate in the Global Cleantech Innovation Programme (GCIP). The other countries are India, Armenia, Pakistan, South Africa and Turkey.

GCIP is a competition-based accelerator programme to nurture the growth of a cleantech ecosystem by leveraging on a global network to

find, fund and foster entrepreneurs with green and sustainable solutions.

Industry observers note that SMEs play an important role in the cleantech ecosystem as they are generally the catalyst for breakthrough technology innovations in the industry. Thus, it was imperative that SMEs are supported and fostered to expand into cleantech products.

At a recent GCIP event, Cleantech Open global programmes director Kevin Braithwaite said that Malaysia's cleantech industry has some of the most vital ingredients to spur the



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Support from government agencies

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industry including strong governmental support.

"There are some aggressive targets for cleantech here with a focus on investments. You have support from a lot of government agencies. And that is very important. And the fact that Malaysia has a strong focus on technology makes a very good combination of factors to grow cleantech here," he said.

Braithwaite added that the local scene is slowly emulating the success of cleantech startups in the US, where over 900 startups that have participated in the Cleantech Open accelerator programme have raised capital in excess of US\$950mil.

"The ecosystem in US did not happen overnight. So we are helping to build the ecosystem in the countries that are participating in GCIP. We want to see more cleantech companies with a global mindset and scalability.

"The idea is to plug Malaysians in the global scene early so they become knowledgeable also on solutions that are being developed by cleantech entrepreneurs in other markets. Currently, a lot of the work is done in isolation.

"But there is potential for collaboration, which provides a platform for entrepreneurs to develop technology that would complement other solutions," said Braithwaite

At the moment, a lot of Malaysia's innovation in cleantech revolves around waste management and solar energy. But with potential collaborations with cleantech entrepreneurs from other markets, entrepreneurs could further develop the local industry with more product offerings.

This could, in turn, attract more investors to the Malaysian cleantech industry.

Funding

As with most other startups, one of the challenges faced by cleantech entrepreneurs is the availability



of funding. While there are good funding opportunities offered to small companies with a three-year track record and handsome profits, there is a dearth of similar funding options for early-stage companies that are trying to start up.

Because the cleantech ecosystem in Malaysia is not fully developed, Malaysia Biomass Industries Confederation president Datuk Leong Kin Mun explained that obtaining funds from financial institutions was a tall order.

"Although SMEs can obtain funds from certain banks, financial institutions generally do not understand green tech business proposals," Leong said.

But early-stage investment in cleantech is growing and corporate and angel investors are becoming key contributors in the ecosystem.

However, Leong also noted that cleantech SMEs prefer to go back to banks than to be funded by venture capitalists and angel investors as the latter would require entrepreneurs

to give up a portion of their business and some amount of control in the company.

"No doubt, there is a need for the government to address funding needs for SMEs and startups with less than three-year records. It would help to have more corporate and SME partnerships," Leong added.

But the green industry has come a long way from five years ago. The industry is seeing bigger allocations and incentives today. And given the vast natural resources available here, there is certainly room for cleantech to go far.

"We need a clear solution for the industry to grow. And the market needs to understand that to be a successful venture, a company must be connected to the whole value chain in the cleantech industry.

"But certainly, interest is growing and that means we can see more coming out of the industry. And when you get your business right, other elements will come together," said Halim.