

Spotlight: Venture Climate Alliance

GFANZ recently caught up with Alexandra Harbour, founder and chair of the VCA and a principal at Prelude Ventures, to talk about what's next in their work towards net zero.

How can venture investors support the transition to net zero?

Venture investors back first-of-a-kind technologies and business models that have the potential to shape and accelerate net-zero pathways across every sector of the global economy. While many of these businesses fail to reach maturity, the venture industry's biggest successes go on to become category-defining players in a given sector – ushering in new paradigms and modalities of market growth and activity.

As the global economy doubles down on decarbonization, all venture-backed companies (whether climate solutions or otherwise) must contend with their role in the net-zero transition far sooner than their predecessors.

As some of the earliest institutional capital governing the growth and trajectory of tomorrow's market leaders, venture investors are uniquely suited to encourage and support stage-appropriate climate literacy and net-zero aligned growth within their portfolios. This is achieved in part through clear and aligned expectation-setting, and in part through portfolio-level support that helps to remove barriers for resource and bandwidth-constrained teams.

What do you think will drive greater investment in climate solutions, one of GFANZ's four key financing strategies?

There's already a highly sophisticated cohort of investors whose sole mission is to achieve climate impact, but who ultimately invest for non-concessionary venture scale returns. This is a commonly held view in the climate tech community – that meaningful climate impact and the venture investing model are not mutually exclusive.

This approach also unlocks traditional and more risk averse forms of capital that can further backstop the growth of profitable early-stage businesses as they mature. As such, the number one thing that will drive greater investment in climate solutions is the emergence of successful market outcomes.

Nextracker (a solar tracker manufacturer), for example, raised \$638M as part of their \$3.5B U.S. IPO, the largest IPO of 2023 thus far. Pro-climate policy like the Inflation Reduction Act and regulation like the SEC's forthcoming climate disclosure rule also serve as massive tailwinds by causing markets to move much faster than they might have in business-as-usual scenarios.

What will the VCA bring to the broader financial sector?

For early-stage businesses and venture investors, the Venture Climate Alliance is helping to define net-zero aligned growth strategies and translate climate competence from theory to practice in the boardroom. For the broader financial sector, VCA aims to catalyze the next generation of “businesses already aligned with a science-based pathway to achieve net zero” per GFANZ's four key financing strategies. Additionally, VCA will work to define climate solutions alongside innovators themselves in an effort to push up best practices as they relate to Scope 4 (avoided) emissions and carbon dioxide removal (CDR) technologies.