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ENERGY-TECHNOLOGY VENTURE INVESTMENT NOW MORE THAN 2% OF ALL VC FUNDING IN U.S., NTH POWER 2003 STUDY FINDS

Funding for Start-Ups Totaled $428 Million Last Year

SAN FRANCISCO, March 3, 2004 – Venture capital investment in the United States for energy-technology-related start-up companies reached $428 million during 2003, about even with the $435 million raised during 2002, Nth Power LLC, the pioneering energy venture capital firm, reported today. The 2003 figure represents 2.3% of the total of $18.2 billion in venture capital investments made in the U.S. last year.

Commenting on the study and the overall investment environment, Maurice Gunderson, co-founder and managing director of Nth Power, says: "Investments in energy technology start-ups remained relatively flat last year, even as overall venture funding continued to fall. The steady growth of energy tech's percentage of total VC activity reflects the continuation of a five-year trend showing the category as an increasingly visible and important segment of all venture capital investment."

Nth Power has tracked activity according to dollars, number of deals and categories of investment of energy VC funding, with data from as far back as 1990, when energy technology VC activity was not considered a separate venture capital segment.

Worldwide, energy technology venture capital funding totaled $526 million, down from $584 million in 2002, with 84 deals completed last year and averaging $6.26 million each. That compares to 55 deals averaging $10.61 million during 2002.

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The study's findings will also be discussed today by Nancy C. Floyd, Nth Power co-founder and managing director at the POWER-GEN Renewable Energy conference in Las Vegas, during a session entitled "New Perspectives on Renewable Finance."

Ms. Floyd notes that she finds it "encouraging that energy deals continue to receive attention from venture capital investors. Companies with innovating technologies, proven business models, and top-tier management teams are getting attention and finding that they can raise capital to develop their enterprises."

VC Activity by Industry Sub-Sectors

Nth Power analyzes VC activity by six industry sub-sectors. Categories with year-over-year growth were *power-related information technology*, up more than 27% in 2003; *power grid optimization*, nearly 42% higher and *customer energy management*, almost five times greater last year than in 2002. Categories that declined during 2003 included *distributed generation and storage*, down more than 31%, while *services* were off 51% and *power quality* was 9% lower.

Recalling that VC funding represented less than 1% of total venture capital activity as recently as 1999, Mr. Gunderson states: "The reason we see growing investment in energy technologies is obvious. As the industry and its customers find themselves going from crisis to crisis, there is a growing realization that patchwork solutions are not going to solve the challenges facing energy producers and users. The emergence of new technologies and their adoption are capable of fulfilling the promise for solving systemic problems involving how we generate, use, track and manage electric power."

Noting that recent sustained blackouts hit within weeks of each other, Mr. Gunderson states: "We have seen how precarious the situation is with energy supply and reliability in the United States and elsewhere. Last year's blackouts, including the major August 14th outage in the northeastern United States, were not the result of peak demand. These incidents showed that energy systems continue to be vulnerable to disruptions, and that sustained investments in new technologies are required to fix problems creatively and effectively. Such investments are absolutely vital because of today's digital economy."

Ms. Floyd highlights Electric Power Research Institute data indicating that one out of every eight watts generated in 2001 – 12% of all power – was delivered to digital devices, noting that: "Digital dependence has surely grown since then and will grow even more as years go by."

Mr. Gunderson added that information gathering is critical to managing power. "Except for small amounts in batteries, electric power cannot be stored," he says. "But we are seeing growth and opportunity in a new generation of commercially available, advanced meters and load control devices that enable power companies to collect data in real time. In that way, power producers and distributors can serve their customers better by knowing when, how and how much power is being used, and for what kinds of devices or equipment. It is now possible to know all of that much more quickly and cost-effectively than is possible with today's typical once-a-month meter readings," he notes. "I believe these new capabilities are behind the jump in interest in customer energy management deals and investments in power-related information technology start-ups. "

The entrance of new materials technologies in the energy sector will also lead to new breakthroughs in how energy touches our lives," Mr. Gunderson believes. "From consumer electronics to building materials to new sources of energy, materials science is a critical component of many of the new energy start-ups we are seeing."

Is 2.3% Enough?

Concluding her remarks at the POWER-GEN conference, Ms. Floyd will refer back to the 2.3% of total VC investment made for energy technology, stating: "Energy is one of the four biggest and most critical industries in the world, and the potential for new technologies and innovation is there. More entrepreneurs, more ideas and more capital are all critical to bring needed solutions to market. I believe energy will continue to grow its share of total venture capital, but let's not wait until the next time the lights go out."

The 2003 study was conducted with data compiled by Nth Power, in collaboration with Clean Edge, Inc., the Cleantech Venture Network and the PWC/TVE/NVCA MoneyTree Survey.

About Nth Power

Founded in 1993, Nth Power manages approximately $250 million in three funds focusing on the high-growth opportunities arising from the continuing restructuring of the global energy marketplace. Nth Power's investors include many of the world's leading electric and gas production and distribution companies, as well as equipment manufacturers. Since 1997, Nth Power has invested in more than 25 companies that have attracted more than $1 billion in total venture capital investment. Nth Power companies include several of the most recent energy technology IPO's and M&A transactions. The firm's Web site is at http://www.nthpower.com.

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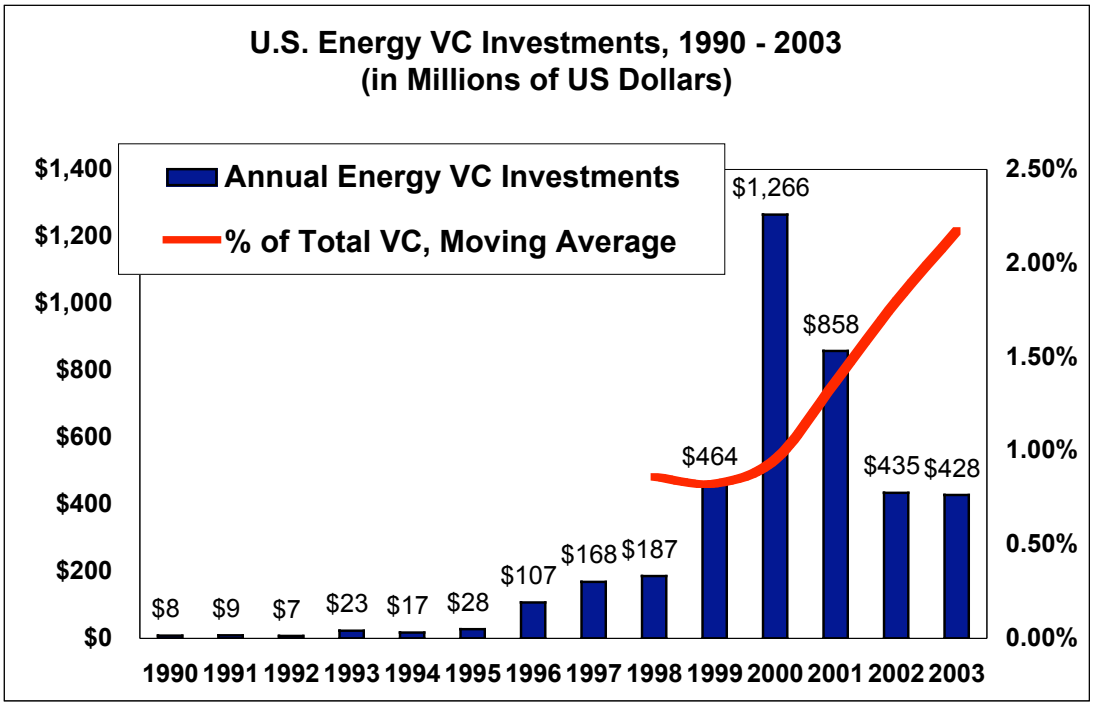

Source: Nth Power LLC

Energy Technology VC Investment – Worldwide
2002-2003
(Dollars in Millions)

Sector	2002	2003
DG & Storage	$ 329.0	$ 224.7
Power IT	68.9	87.6
Customer Energy Mgmt	24.1	94.2
Services	48.4	23.7
Power Quality	51.7	46.5
Grid Optimization	12.0	17.0
Other	49.5	32.5
Total	$ 583.6	$ 526.2

Source: Nth Power

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