



Press Release

Climate tech start-ups as the key to transformation financing

German Sustainable Finance Advisory Committee (SFB) publishes second of four discussion papers on transformation finance. This time on the topic of financing start-ups in the climate tech sector.

December 1 - Start-ups that drive innovation to tackle the climate crisis through hardware-based and capital-intensive climate tech start-ups (HCSs) have the potential to create breakthrough innovations in the relevant technologies. So far, however, they have suffered from inadequate financing options for the development and growth of their often innovative and project-based business models.

In its discussion paper published today, the SFB, based on a broad survey of experts, puts the funding gap for these HCSs in Germany alone at at least 1.8 billion euros per year. In view of the importance that young companies with their innovative technologies can have for tackling the climate crisis, closing this gap is a key challenge in the field of sustainable finance. At the same time, the financing gap for such innovative start-ups always means a missed opportunity for the future of Germany as a business location.

The discussion paper identifies the main causes of the financing gap and points out potential solutions. The SFB working group led by Fridtjof Detzner and Elisabeth Löwenbourg-Brzezinski (experts at the SFB on the topic of venture capital/start-ups) identifies three core problems:

- Lack of technical knowledge and expertise in the investment teams of potential investors
- Special features of the start-up market that make large-scale investments by institutional investors difficult
- Lack of strategic orientation of public and private procurement programs

In order to address these core problems, the SFB proposes initial concrete solutions:

- Diversification of start-up financing sources beyond equity and a development of credit-based financing beyond the conventional "venture debt" offering
- Promotion of private debt funds focused on start-ups with the help of public risk mitigation mechanisms and better mobilization of private institutional capital
- Diversification of institutional investors by promoting private fund-of-funds
- Development of co-financing programs for hardware-focused business angels

Elisabeth Löwenbourg-Brzezinski (head of the sub-working group): "The private sector plays a crucial role in tackling climate change by investing in innovative technologies and integrating climate resilience into its investment decisions and business models. The decarbonization of high-emission manufacturing industries requires a close partnership between established corporates and innovative young companies that provides long-term financing and predictable off-take agreements."

Fridtjof Detzner (head of the sub-working group): "It's actually about repeating what has helped us to prosper in Germany: entrepreneurial courage and deep expertise in hardware. I would like us to see new technologies as an opportunity to build a resilient economy of tomorrow that operates within planetary boundaries. This will continue to give Germany a strong weight on the global economic landscape."

The complete results (as a PowerPoint presentation) can be viewed on the website of the Sustainable Finance Advisory Committee ([LINK](#)).

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The Sustainable Finance Advisory Committee (SFB)

The German Sustainable Finance Advisory Committee advises the German Federal Government on sustainability aspects in the financial system. Consisting of 34 experts from the financial sector, the real economy, civil society and academia, and supported by 19 observers, it acts independently. It supports the German Federal Government in the implementation and further development of the German Sustainable Finance Strategy and advises relevant stakeholders on how to position themselves.

The SFB has written four discussion papers on the topic of "sustainable transformation financing", which deal with the central challenges and solutions for a sustainable transformation in various economic sectors. Against the backdrop of the German Federal Constitutional Court's ruling of 15.11.23 on the supplementary budget, the issue of (private) financing for the sustainable transformation of our economy will continue to be of enormous importance. The SFB's papers offer practical recommendations for small and medium-sized enterprises (SMEs), start-ups in the climate tech sector, industrial companies and the expansion of sustainable infrastructure in Germany.