

NEWSLETTERS / TERM SHEET

Al Gore says a ‘game changer’ for green tech has arrived

By Jessica Mathews

More than 1,500 people have died from the devastating floods in Pakistan that, at one point, had about one-third of the country underwater. Megadroughts in the West U.S. are threatening Lake Powell. Wildfires have been burning through Spain and Portugal. Heat waves have dried up part of China’s Yangtze River.

It’s getting harder and harder to ignore the disasters being caused by global warming. “Business leaders of all ages are responding—and many of them are saying we think we can make a difference with our business models and with our business plans,” former vice president Al Gore, who has spent decades warning about what rising temperatures will do to the planet, told me peppily over a Zoom call recently.

Gore has a front seat to how businesses are reacting as an investor. About 18 years ago, he launched Generation Investment Management, a sustainable investment company that invests across the public and private markets and now oversees about \$35 billion in assets. On the private side, the firm’s growth equity arm raised a \$1.7 billion fund earlier this year and now has about 18 investors on its growth equity team, which is led by Lila Preston.

“We don’t see a drying up of startups or even funding for these companies,” Preston says of companies geared at tackling problems in climate, health, or financial inclusion—startups she describes as sitting under the umbrella of “sustainable.”

The firm, which publishes annual research on sustainability, has pegged the Russian invasion of Ukraine and the passage of the Inflation Reduction Act as major inflection points in its most recent report, released this week, which lays out where the firm sees opportunity in the power, transportation, land and food, and other markets.

In Europe, which is highly dependent on Russia for oil and gas, that dependence has become a “national security concern,” Gore says, in addition to the environmental and business concerns it was already posing. And Gore says

the new legislation in the U.S. is a “threshold crossed” as it is the “largest investment in the sustainability transition that we have ever seen on the part of any country.” He is already seeing companies Generation backs making changes in order to qualify for the tax credits they can receive by transitioning to clean energy.

“I think it’s going to be a real game changer,” Gore says.

Preston anticipates that Generation will invest in between 15 to 18 companies from the new growth fund. Generation has already backed Gloat, an A.I.-powered career development marketplace that helps managers make data-informed hiring decisions. The firm has closed another investment focused on planetary health, but Preston says they aren’t ready to share what it is.

Preston acknowledged that both the public and private markets are in a period of volatility, but said that “company fundamentals remain strong,” even if companies have to “hunker down and think about their cost structures.”

“These are not trends. They are movements,” Preston says. “We are absolutely shifting massive swaths of our economy for a lower footprint and a more sustainable model—and that just has a lot of economic opportunity.”

Equities go down. Interest rates go up... Yesterday the Federal Reserve approved another 75 basis-point rate hike, lifting the bank’s lending rate to target 3%-3.25%. Rising interest rates mean borrowing capital is more expensive for private companies. It also means that LPs might turn their attention to other asset classes. I’ve written about that here.

Kittyhawk to close... The autonomous electric aircraft startup backed by Google cofounder Larry Page is winding down, according to a LinkedIn post from the startup yesterday—showcasing how the current market conditions may prove to be difficult for companies in high-cash-burn industries. Boeing says it doesn’t expect Kittyhawk’s closure to interrupt operations for Wisk, a joint venture between Kittyhawk and Boeing to develop an autonomous air taxi.

See you tomorrow,

Jessica Mathews
Twitter: @jessicakmathews
Email: jessica.mathews@fortune.com