

diffusetap
Virtual Event Series

Clean Energy Investment Strategies 2021



Guest Speaker:

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Head of Operations
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Hosts:



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DiffuseTap: Clean Energy Investments Strategies 2021

In our session featuring **Marko Koski, head of Operations at Finland-based global accelerator EnergySpin**, as guest speaker, our **CEO Kenny Estes** and **Chief of Staff Ayla Kremb** talked to Marko about 2021's best clean energy investment opportunities, how accelerators enable emerging technologies and where investors can get a foot in the door at any check size..

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DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas)... straight from your armchair like a boss.

Meet the Speaker



Marko Koski, head of Operations at Finland-based EnergySpin, the energy solutions business accelerator. He is also area coordinator at FiBAN Finnish Business Angels and a startup enthusiast.

Marko runs the accelerator program at EnergySpin, which is intended for helping energy related startups and growth companies in boosting their international development and growth.

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We are an alternative fund platform offering differentiated investment products. From digital assets to VC funds and beyond, we identify green field investment opportunities we feel will have market beating returns and turn them into professionally managed funds. For more information, visit www.diffusefunds.com.



KENNY ESTES: Marko, great to see you. Why don't you introduce yourself to everybody?

Alright. To give you a bit of a background, I've been working in the energy tech space for around 10 years. Not as an engineer, but more towards marketing and strategy. I've also been doing angel investments as an angel investor for five years now.

As my bread and butter, I run EnergySpin, a multi-corporate accelerator program where we have tech giants working all around the world. We scout new startups to scale up and get them ready to do business. I'm based in Vaasa, Finland, which they call the clean tech capital of the world. It's a small city, but we have R&D centers for many of the biggest companies here.

KENNY: That's a great introduction, I love it. My co-founder and partner in crime-slash-boss, Ayla Kremb, is going to be co-hosting with us. So Ayla, do you want to kick off the fireside chat session?

AYLA KREMB: Absolutely. Thanks so much Marko for joining us. The first question we want to cover today actually starts with trends. I think some of us may have looked into the trends in clean tech before, but I'd love to learn a bit more from you, Marko. What are some of the trends that you've observed over the last year in the clean tech space? And what do you see coming up in 2021?

MARKO KOSKI: Excellent question. Perhaps I would start first with digitalization, which has been an ongoing trend for a while, but there's still a lot to explore there. Digital twins and AI, especially, because there's still a lot of data on the market, and there's an unlimited number of excellent ways to use them. IoT with 5g especially is taking its place in the mainstream as well. So I think digitalization definitely will still continue going strong. I haven't seen everything from that part yet.

Another thing is Power-to-x and of course, power-to-x and back, balancing the number of renewables, and its storage. On different kinds of storage materials, you have batteries, you have hydrogen, and so on. Those are things that big companies are very much looking into right now, because we have a big problem to solve, and power-to-x is one of the big solutions there.

From both of those parts, I would say that the system level approach is taking its part as well. Because we have been, for example, optimizing engines for ages and ages. We know what the maximum output from those ones are, and we know how efficient they are. But still, they remain a component for the bigger systems.



If you think about solar panels as well, you can think about the price, you can think about durability. But those are only two components. You have to also look at other things, like solar panels, inverters, how you store them, and so on.

I think it's because you can solve the big problems without looking into the whole ecosystem and looking for the whole holistic approach. I've been participating in experimenting with other approaches, and one of the things that they are trying to do is build whole island ecosystems or energy systems. Everything from the power production to the end customer, where everything is taken into account. That's something that is really coming to the surface, I would say.

So, those three things are what I would call the top trends we're seeing now - digitalization in different forms, power-to-x and back end systems, and a level approach. Those are the trends that we're looking into.

KENNY: Interesting. You mentioned this whole kind of ecosystem. Is there a particular area that you, personally, would really dig in on, or are you looking at your portfolio companies to come through? Is there a particular area of this ecosystem where you feel like you really have a leg up on?

MARKO: We do have some. For example, grids are a very important part, and we have a lot of expertise on that one. But nowadays we tend to look more into solutions around storage.

For example, Marines are one of the biggest polluters in the world. So, how do we actually solve that problem? Those two things, marines and storage, are some of what we're looking into today. Right now, we're looking at how to use hydrogen in different applications to solve those problems, and I think we'll be talking more about power-to-x as a solution as well later on this year.

AYLA: I guess one of the questions that probably many of us in the room have is that clean energy investments are not on the cheap side. You can't get in with a \$200,000 check, at least maybe in the beginning, just because the solutions are so big. So, if you're trying to solve a systems level problem, how do you actually select companies? What kinds of companies are best for the accelerator? And also, what should investors look at if they are not able to come in as an institutional check, but more or less early stage? What would you recommend in terms of types of businesses we're looking for?

MARKO: Okay, good question. I realize that these are often big investments. If you think about holistic, whole system levels, they're broad. Those tickets are more or less institutional, and sometimes require a kind of mezzanine financing.



But also, there are a lot of gaps to fill, and a lot of new solutions that could fill those gaps. From that perspective, there's a lot of interesting ideas that we'll take into consideration, and our partners are very interested in. And if they get access to our partner network with an excellent solution, new materials or whatever, that will be taken directly to the bigger players.

So from the investor point of view, looking at those opportunities is definitely something. If you think about, for example, solar panels, there's a lot of solar panels going on. But if you come up with a solution that's a little cheaper, then that's going to peak a lot of people's interests and a lot of partners are going to participate in scaling them up.

There's a lot of risk involved for sure, but if you end up being one of the early ones hopping on board as an angel or a VC, then the returns are magnitudinous, so to speak.

Another thing worth mentioning is that hardware-side investments do take 10 years more or less to go to market quite often. But if it's something digital, you're much closer to finding great new solutions. So if you're looking for a quicker turnaround, digital is definitely the way to go.

KENNY: Gotcha, that makes a lot of sense. And then, kind of extending on that as far as the partners, how do corporates fit in? Because obviously, part of your pitches are sitting in between the startups and corporates as an accelerator. So, where are the corporates adding a lot of value?

MARKO: We have pretty good connections with our corporate partners. Not only with our program, but basically we talk with them on a lot of different topics and projects all the time.

To answer your question about how they fit into the story, they're very traditional. Big corporates in the energy sector, they're traditional, and very conservative. They're more or less looking at the small side. They're looking into what they're still doing good and well, and innovation is not their core. They leave it to somebody else.

But of course, when there's an interesting solution coming along, they will be fast to hook on those ones. I think our corporate partners' role is that if there's a groundbreaking innovation, an interesting solution, they will be the catalyst to that startup. They will be the catalyst for the innovation, and find out which gaps need filling. So there's definitely a big role for corporates.

Also, if you think about smaller startups, they need the help of corporates to build and scale their business. Because, as I said, corporates are very traditional with their ways, so they really know how to scale around different parts of the world. There's an undeniable need for them in that area.



AYLA: I notice we got a question in the chat here about nano. It seems like it's always a trending, hot thing that's coming along. What are your thoughts on nanotechnology? Does it affect the current ecosystem of clean tech, or is it too far out?

MARKO: I think it will have the same effect as renewables in general, before they become really mainstream. There are different places where you can implement nanotechnology, and apps around it. It's going to take a while, so before it's actually tested, everything should first be running smoothly. I think it will be a part of technological solutions that aim to drive costs down.

But also, in my opinion, although it's part of making products or solutions better, it doesn't present an overall, holistic solution to these issues per se. Just like renewables or solar systems, in general they will take the cost down, and make other solutions much more efficient. But we still have to see where to apply those nano solutions.

KENNY: There's another good question in the chat here. Going back to where you started, there's all of these elements to the ecosystem. Not just the ones the solar panels, but all of the pieces that are involved in the entire stack. Do you see the need for the equivalent of something like, let's say, Strike? Somebody who provides that consistent infrastructure that tries to span literally every aspect of the tech business?

MARKO: I think that's one of the trends that's going on, where the bigger systems will look at all the parts, and they have to work together in order to get better results out. And the big players are definitely on it. There's something happening there all the time.

But we're not there yet. We'll see what happens when, let's say, Google or similar giants are coming to this space as well, like Apple. But basically, it comes down to big players that are working on product-based solutions. Most are selling grid systems, but not the whole ecosystem chain yet. They just sell products to each part of the chain.

But also, I don't think they're really interested in changing the system either. Because even though they have extensive knowledge on two markets in different places around the world, for instance, that would require so much resources to come up with a grand solution, as well to scale them up.



AYLA: Alright. Here's another question for our audience. If you were going to give advice to yourself 5 or 10 years ago before you started this journey, what would you have said to yourself? What advice would you give to a fresh investor or somebody who wants to start an accelerator? What would you have told them to dig into before they get started, and what are the bigger pitfalls to avoid?

MARKO: Ten years back, I watched some of my very good friends get started, and I was really quite close to jumping in at that time as well. I guess one of the things I saw is that a lot of them got blinded by the smaller picture, with what was happening in one place. And that isn't the way to go. You have to always try to look from the bigger perspective.

If you don't see the big picture, you fall into a hole. I did make some mistakes there on the way, so perhaps that's something I could teach my younger self. Always look at the bigger picture. What's the agenda of the big companies? What's the agenda of the players on the field? That's definitely something I would like to have known.

KENNY: There's a follow up question there. What literature, newsletters, information sources can people read if they want to learn a lot more about this industry? Where would you point them for a macro perspective, a macro-level understanding, as you say?

MARKO: You know, there's a lot of places where you could try to see what's happening. One thing I recommend doing is trying to do some self research on the industry, as well as listen to your potential partners. Who are the big players, what type of agenda do they have, what are they looking into, who are they recruiting, and stuff like that. You can do research on all of that.

And also, things like what are investors pouring money into. You could learn a lot faster and easier by trying to answer these questions, and then trying to understand where the world is going by reading on these things. Things like what are the big companies in the playing field, what are these companies looking into, what kind of acquisitions they're doing.

KENNY: That makes sense. So now, one last question we'd be remiss to not ask. A lot of people here are playing in the venture ecosystem, and they run a lot of startups. Which ones do you want to see? Where in their lifecycle do the startups need to be to join your accelerator? What would be the ideal profile of the folks that you would like to talk to?

MARKO: That's a good question. With regards to which areas, we are open to everything from power production, all the way to the end customer, business-wise. Also, we are looking for anything to do with the grid. Cybersecurity things, even gamification. If you look at our



partners, we're interested in tech that allows people to implement systems faster, and we are definitely interested in scaling up companies that can do that.

We're also open to companies everywhere around the world. Ninety-seven percent of applications we received for our program were out of Finland. We have some from Australia, from the UK, USA, Canada. I think most of the companies come from Europe because it's nearer, but otherwise we're open to companies from all walks of life.

I think if the product or solution is something unique, and it's going to shake up core businesses or strategies, then we obviously want to look into those. It could be business solutions. We're more interested in startups that can actually start implementing solutions around the world.



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Corporate Director, CME Group

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CEO & Founder, LionShare Media

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VP/Global Head of Tax, Binance.US

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