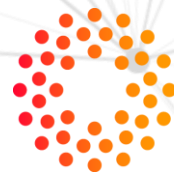

IMPLICATIONS OF COVID-19 ON ENERGY START-UPS



Start Up
Energy Transition

Award | Tech Festival | Network

SET Survey Results: March/April 2020

BACKGROUND

The first step in supporting innovators and entrepreneurs during and after COVID-19 is identifying the specific challenges they are facing. As such, the Start Up Energy Transition (SET) team sent a survey to the roughly **300 international #SET100 alumni** in their network with a request for input. **83 anonymous responses were received** (note that some questions were optional).

EXECUTIVE SUMMARY

The results of the survey indicate that most start-ups in the energy sector are facing negative implications due to the ramifications of COVID-19, but that many also see opportunities despite this. The majority of the survey respondents, belonging to the seed and A-round stage, identified sales, investment, internal productivity and networking opportunities as the areas affected the most and as the leading cause of negative impact on their business. More than half of the start-ups responded that they are able to sustain the current restrictions between 2-6 months before downsizing. While some start-ups noted no change to the investment ecosystem, many noted the reduction of investment opportunities or the size of available funds. Specific to the energy sector, some start-ups noted an impact on a reduction of R&D and investment to this sector, however some also noted that it is too soon to tell whether the energy ecosystem, has been particularly affected.

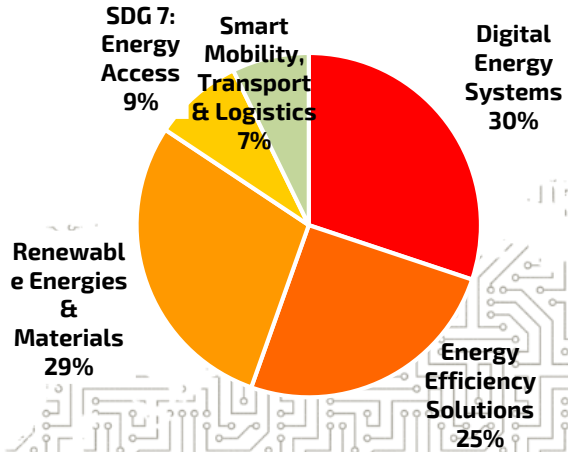
At the same time, half of the start-ups responded that the crisis could create opportunities for their business. The majority of these 42 respondents noted that the switch to digitalisation, the increase of consumer desire for more secure control over their energy sources and potential fiscal stimulus into clean energy could all yield benefits for them. However, it is important to stress that these start-ups also called for increased state support in terms of various funding mechanisms, direct transfer schemes and signalling to investors via a continued support for energy start-ups.

KEY SUPPORT MECHANISMS NEEDED

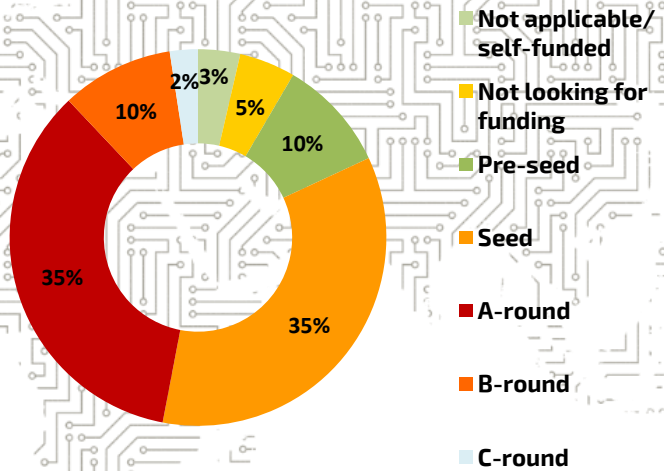
- | Provision of grants or low/no-interest loans that are state-backed (ideally not from commercial banks) with low bureaucratic burdens to help struggling start-ups.
- | Offer direct transfer schemes to support start-ups in covering their ongoing costs (salary subsidies, rent support, etc.).
- | Substitute reduced private investment via public investment and procurement wherever possible (in particular via a state-funded VCs stepping in for private investors).
- | Initiate matchmaking platforms to facilitate the exchange of start-ups, VC, corporates and potential clients and to generate new funding opportunities.
- | Signaling: Demonstrate continued support of the energy transition to encourage investors.

DESCRIPTIVES/ GENERAL IMPACT

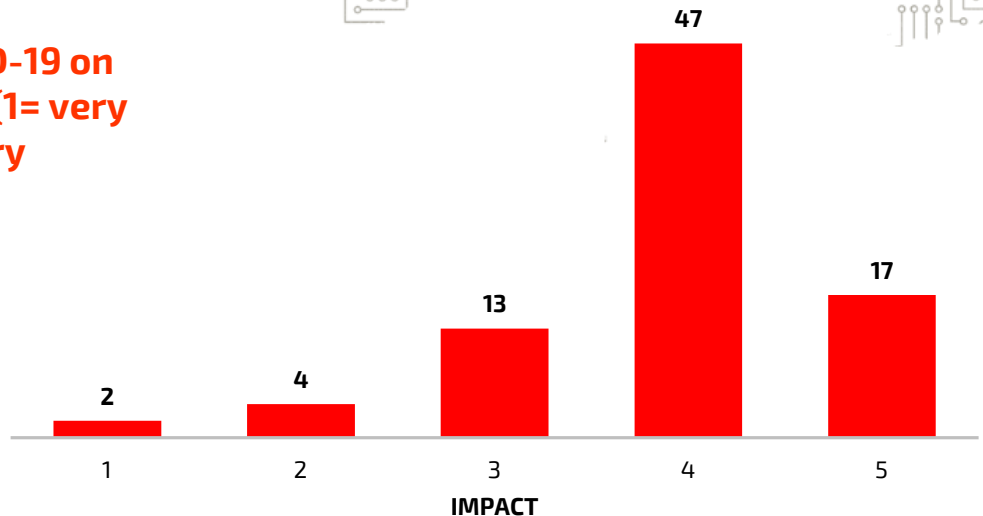
In which sector is your start-up active?



Which stage is your start-up in?



Impact of COVID-19 on your start-up? (1= very positive/ 5= very negative)



KEY IMPACT AREAS

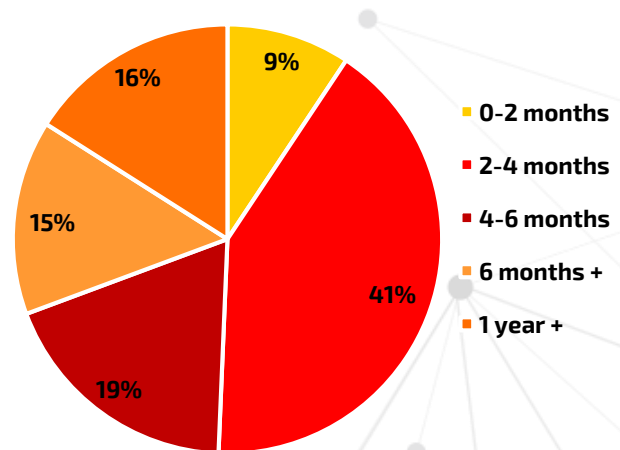
COVID-19 has impacted our business in the following ways:

Impact Type	Count
Sales: Our sales have decreased due to corona	58
Investment: We have trouble getting funding right now	46
Internally: Our staff has to work remotely and productivity has decreased	39
Networking: We are unable to strengthen our network and find new partners	38
Marketing & PR: We are currently unable to gain outreach	30
Trade restrictions: We experience difficulties due to export and import restrictions	26
Business model: Our business model is at risk	10
There has been an increased interest in our business	6
HR: We cannot find the talents we need right now	5

The top changes to daily business practises:

- | F2F meetings reduced: Switch to digital solutions (marketing, client meetings, collaboration)
- | Reduced productivity due to % of staff working from home
- | Focus on liquidity over growth: Volume of production reduced or stopped altogether
- | On-site installations and operations paused or soon to be paused
- | Disruption to site visits due to restrictions: Switch to remote product deployment/virtual site visits
- | Focus on finding new supply chains due to disruptions
- | Pause or reduction in R&D
- | Reevaluation of product roadmap due to decrease in demand

How long would you be able to sustain without downsizing (N=75)?



KEY IMPACT AREAS II

Have your investors reacted to COVID-19 in way that affects your business as well? How exactly? (N=61)

Investor reaction:	Count
No change	14
Reduction in investment opportunities/ Reduced interest for energy start-ups/ new investments	14
Investment put on hold or withdrawn	12
No change yet, but are asking for contingency planning: reporting intensity, pressure to reduce costs	6
Positive, offering more support, (example: by offering a loan payment deferral)	5
Less time for talks, advice and support	4
Scheduled investment size reduced	3
Shifting focus to COVID-19 combat investments	3

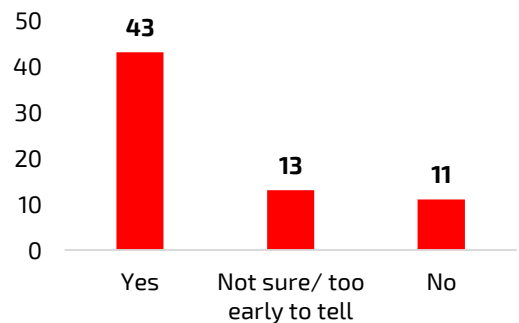
Has the current crisis affected the energy investment ecosystem, specifically? (N=67)

"Yes, reduced investment into R&D and tech for the energy sector."

"Too early for us to tell - currently the parties in the market are too busy to solve the acute situations internally and at active building sites. Only once these issues are solved, will we be able to look at how big a hit the energy investment willingness has taken."

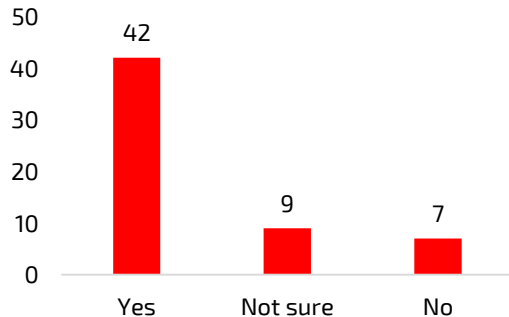
"Yes, most of our clients are shopping malls, supermarkets, airports, schools, offices... they are currently mostly closed."

"Yes definitely. especially on investment related to energy efficiency on existing industrial plants."



OPPORTUNITIES & SUPPORT

Does the COVID-19 crisis bring opportunities for your business? (N=58)



Key opportunity areas:

Digitalisation; Consumer demand for energy, security and cost-risk solutions; Fiscal stimulus packages into infrastructure including renewable energy and grid systems

What, if any, kind of support would be the most helpful to you right now? What would be useful in terms of state support? (N=72)

Financial support measures	
Loans/short terms credits	23
Direct compensation for revenue losses and/or investment losses and support with ongoing costs such as salaries, rents, mortgages	16
Grants	12
Pilot funding and R&D support	4
Tax reductions	2
Maintenance of public spending towards renewable energy transition	2
Non-financial support measures	
Establish matchmaking with VCs, corporates and potential clients	6
Create state-backed greentech fund/VC	3
Increase repayment flexibility of existing grants/loans	2
Quicker review of grant projects	1
Reduce regulation and overall bureaucracy	1

For questions regarding the survey, please contact Alex Khripko: khripko@dena.de