
Clean tech: Ottawa's rising star

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With news that six of the country's top-10 "emerging" clean technology companies hail from Ottawa, the city will likely become corporate HQ for many more as a genuine cluster takes shape, say experts.

"I would suspect more nascent (clean tech firms) will come to the light of day," said Randal Goodfellow, president of Goodfellow Agricola Consultants, which does work in the sphere.

A higher profile for the sector, which he said included "upwards of 40 companies" in eastern Ontario, will generate its own momentum. "As we start having activity, people come to it as well. Whereas a lot of growth has been from our own roots, I wouldn't be surprised if you actually get people to come to Ottawa."

The top-10 list was compiled by Corporate Knights magazine, with the unifying theme being creating or saving energy (see fact box on following page).

All six local companies that made the list have products in various stages of development. Some are in prototype, others are proven and market ready, the rest are already there.

And they've had little or no difficulty in securing investment once energy prices began to skyrocket.

"Not now," said Menova president Dave Gerwing, when asked if capital is hard to come by. "Five years ago, impossible, because no one knew what clean tech was . . . We started when a barrel of oil was 22 bucks. Now, it's \$96.

"We went from raving lunatics to savants in 22 months. Now, the investors are finding us."

Investment is a challenge for most firms, said Stephen Naor, CEO of Group IV Semiconductor. "(But) we have not had a problem raising funds . . . Anything in clean tech, especially something that has the promise we have, is getting a lot of attention."

While these companies are scoring investment from within Canada, most of the cash is coming from south of the border. There is enough potential that all are pondering bids to go public.

Ottawa has leapt to the fore as Canada's unofficial clean tech capital in what, until now, has been an obscure and ill-defined sector. So what has attracted these firms to Ottawa? Certainly not the availability of capital.

"If we had stayed in Ottawa looking for investors, we would still be looking," said Mr. Gerwing. "At the end of the day (Ottawa) didn't really have any capital that was more than a month of our burn rate."

Toronto, as well as western energy centres Calgary and Edmonton, have a much more sophisticated understanding of the energy producing technology, he said. Investors from there have helped so much, in fact, that Menova is likely one or two registrations away from listing publicly.

So what's the draw for Ottawa? Talent and government funded research labs, executives say.

"The money for clean tech came from a lot of places, not Ottawa . . . but I think you need the people resources first, and in that respect, we have had a lot of great, great resources," said Mr. Gerwing.

Group IV is a photonics company, said Mr. Noar, and the capital region is home to the best photonics engineers, he said.

"Conveniently for Group IV, it was just luck that at the time we were looking to hire those people, the telecom industry was in a slump."

Labs like the National Research Council's Canadian Photonics Fabrication Centre in Ottawa has allowed small firms like Group IV to engage in very expensive manufacturing at just a fraction of the cost to set up their own facilities.

"There was no where else we could go in Canada," Mr. Noar said. "It would have cost tens of millions of dollars. We wouldn't have been able to raise it. The alternatives would have been to move outside of Canada."

And while there is money to be made in clean technologies, there are often more altruistic motives at work.

"Everyone in Magenn, including the investors, have an environmental sense in them," said Magenn CEO, Pierre Rivard. "We believe we can help the world be a better place, not only for ourselves, but for others."

Some have, for all intents and purposes, fallen into the sector due to market demands.

Tom Gale, president and CEO of Ensyn, said it was only since the world started flirting with peak oil that it made sense for the 24-year-old firm to switch from making mesquite-flavouring to liquid bio oils.

"Ironically, in the '70s, there was all this talk about pyrolysis, but it abated with (lower energy prices). But it's cycled back and . . . with energy prices being where they have been the last 18 months, (we can) use our technology in a different application, and that's why we've refocused ... as a renewable energy company."

Pyrolysis is the process by which Ensyn converts wood material into a variety of products, including fuel oil and food flavourings.

Mr. Naor said a strong product, regardless of whether it's environmentally sound, is difficult for investors to turn down.

"It was clearly the opportunity to make a positive impact on the environment" that motivated the firm, said Mr. Naor. "It has to be done in a way, though, that allows investors to (sell) a product, because that's the reality of the world."

Group IV hopes to have its prototype integrated into light bulbs within three years. It's had two funding rounds and remains a year or more from going to the public markets.

"Like any early-stage firm, execution matters, and there's not much room for error," Mr. Noar said. "A larger firm may make two or three attempts at something. A smaller firm doesn't have that opportunity. You have to calculate correctly, correct rapidly, and execute flawlessly."