

**ADDRESS TO THE**

**IRISH VENTURE CAPITALISTS ASSOCIATION**

**BY**

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## Members of the Venture Capitalists Association of Ireland

I address you this evening as an entrepreneur and as a technologist.

Because venture capitalists and entrepreneurs share at least two characteristics in common. We are risk takers, and we are realists. We like to invest at the same end of the risk reward spectrum. Collectively you raised €1.1bn since 2000 while Airtricity raised €430m. You invested €1.2bn while Airtricity invested €1.1bn. Your created value went from €390m to €1.225bn whereas Airtricity had a value of €8m in 2000 and was sold for €1.8bn. Quite a parallel! We and you manage risk with great care, on the basis of facts and superior knowledge.

We both like facts, you and I. We thrive on them. I have two plaques above my desk, one contains a quote from Tony O'Reilly, which says, *"Don't give me the good news, Don't give me the bad news, give me the*

*facts, facts are friendly*". The other quote from Alfred Sloan reads "*Don't give me the good news it weakens me*".

We are realists.

But as well as being risk-takers and realists we both have an ability to see ahead and identify opportunities where others only see problems, or don't see anything at all.

For me, this sort of foresight is the most important quality we bring to the world of business. We concentrate on tomorrow when the rest are too busy focussing on today or dreaming about yesterday.

So when I received your invitation to address you here tonight I accepted without hesitation because I recognised you as kindred spirits and I knew immediately what I was going to say to you.

Above all, I want to talk about the green tech revolution which is already exciting American venture capitalists, like the great partnership of Kleiner,

Perkins, Caufield & Byers, which Al Gore recently joined and which financed Google and Netscape.

The scientific evidence on the causes of climate change couldn't be clearer. The burning of fossil fuels for power and transport is leading to ever higher concentrations of CO<sub>2</sub> in the atmosphere. That is triggering climate change.

If allowed to carry on apace we run the risk that it will destroy our species and everything else on this planet of ours. Already, a quarter of the all the mammals on earth are threatened with extinction

That is why we have to engage in a once-off shift to a low carbon economy, or more accurately, to a low carbon society. But we have to do it within the space of one generation, before the world burns up, as one writer put it.

The International Energy Agency in Paris estimates that global energy usage will double by 2050. But the

scientists tell us that by the same year we must reduce our carbon emissions by 80%.

The only way we humans can square this circle is by carrying out the greatest technological revolution in history: by shifting from fossil fuels to renewable energy, by re-organising the way we live, work and play; by changing the way we think, act and organise society.

We need to develop new technologies in harnessing the wind, the sun, the ocean, and even heat from the earth itself. We have to learn how to transmit power with new technology, cheaper, and over larger distances.

We need to devise new ways of conserving energy and of using it more efficiently.

Let me give you an example:

If here in Ireland we were to install 6000mw of wind energy on land and in the seas around Ireland, some €15 to 20bn would be spent. This would go a

long way to making us energy independent. In addition it would create some 18,000 new jobs. We would forego the emission of 10.8 million tonnes of CO<sub>2</sub>, thereby avoiding fines of €324m per annum. We would forego importing 6 million tonnes of coal equivalent every year, at a cost of €671m. We would substitute a fuel that is free for a polluting fuel that costs a lot. Make no mistake ladies and gentlemen the wind is there. Up to now the political vision hasn't been.

We have to invent new appliances for heating, cooling and powering our buildings. We even have to re-engineer our whole transport system. Just today I arranged to meet with a Danish representative of project "Better Place". Along with the Israelis and the Portuguese the Danes are moving to a plug in completely electric car for private transport. There is an opportunity for Irish entrepreneurs, venture capitalists, and Government to work together and to join in this business opportunity. Imagine what would happen to emissions if we made our electricity from sustainable sources, and used it to power our

private **transport**. For one thing we could store electricity in the batteries at night and have them connected to the grid to meet emergency peaks the next day; for another this move would spawn 1000 new garages where batteries would be replaced or recharged; for another there would be cleaner air in our cities and less lung cancer, emphysema and asthma.

The challenges ahead are almost endless, and the opportunities boundless.

That's why the leading venture capitalists in the States are going big into the green tech revolution. And why venture capitalists in other countries are following them. If you have not done so yet, then I invite you to get ahead of the curve, and to go green.

This is not just a great business opportunity for you as venture capitalists, or for me as an entrepreneur, it is a great economic opportunity for Ireland.

There is much talk about this country aiming to become the green hub of Europe, the place where things happen first, the laboratory for testing new solutions, the country which solves the dilemma of growing the economy while reducing carbon emissions. Of course the IVCA and the Eddie O'Connors of life would love to see this happen, because it would be a well spring of innovation and business opportunity. The reality is that such a scenario could not happen if we have a continuation of the status quo. Our former Taoiseach prided himself on not being a man of vision. He attributed his electoral success to avoiding the vision trap. Thus we see Irish emissions rise dramatically; we see the country become more than 90% dependent on imported oil, coal and gas...the highest in Europe. Under his guidance we built too many buildings, but not the crucial renewable power stations and the necessary grids; the easy way out, doing more of the same uninformed by a brighter vision.

I say all this for a reason. We have a new Taoiseach now. There is a need

for new leadership now. Fifty years ago, one man initiated a revolution in Irish economic policy, Dr. Ken Whitaker, who was rightly celebrated two weeks ago for saving this country from destitution and for putting it on the path of growth and prosperity. He was a realist. He faced the facts of his day and persuaded the government to take a risk on a complete reversal of existing economic policy. He could see ahead to a European wide economy and he wanted Ireland to be part of it. Dr. Whitaker had all the qualities you admire – a willingness to face facts and a readiness to take risks. He also had vision.

The burden passes just as the challenge grows. If we are to lead the charge to sustainability, Brian Cowen must spell out his unique vision for this future. The task cannot be left to the Green Partners in Government. It is a challenge worthy of a national leader, just as the outcome will be again measured internationally. It's a game changing plan which could underpin our national wealth and ensure our prosperity for at least 2 generations.

The European Commission says that the creation of a low carbon economy will spark off the Third Industrial Revolution. Ireland should accept the logic of that message and be a leader in the green tech revolution.

Because of our size we cannot be expected to cover the full spectrum of new technologies but we can choose certain technologies to develop and promote. We should not be afraid to pick winners, especially in areas where we have a comparative advantage, such as wind, especially off-shore wind, ocean energy and certain forms of biomass.

If we don't become world leaders in a few chosen technologies we will be left behind and reduced to being followers in them all. We have already wasted too much time before getting started and if we don't galvanise our efforts over the next year it will be too late for us to catch up.

Ask yourselves these questions:

- What life changing projects are we currently pursuing as a people?
- Where is the “wow” factor in Irish economic policy?
- Who is charting a Whitaker-like path to the green future?

By the next two or three years you will either have clear answers to all three of these questions or we will have missed out on the greatest technological revolution in history.

When I accepted your kind invitation to be here with you as your guest I decided to talk on a further issue because of the threat it poses for our economic future, something that bothers me profoundly. I am referring to the rejection of the Lisbon Treaty in the June referendum.

It's sobering to recall that it was the creation of the European Economic Community that inspired Dr Whitaker's new economic policy in 1958. It was his belief that full

membership was essential for Ireland's very survival. The alternative, he said, was isolation from a Europe that was going to integrate politically and grow economically.

For fifty years all Irish governments subscribed to that same belief. Every government has kept us at the heart of Europe, even when that policy carried risks, like going into the euro when Britain did not.

The rewards have been great. In direct subsidy we have received just under €70 bn since we joined the EEC in 1973. Of that amount some €40 bn went to the farmers and the rest went on infrastructure, training, education and research.

Foreign Direct Investment flowed into Ireland, not just because of our low corporate tax rate but also because of our free access to the world's largest market. Without Europe there would have been no Celtic Tiger. The 56 US multinationals which defined the Celtic Tiger came here because they feared "fortress Europe". They saw

France open up every Toshiba tape recorder to see if it complied with French technical standards. They rightly concluded that if they were to be able to sell their software, their chips, their pharmaceuticals, and their myriad other IT products they needed a European manufacturing base.

We have enjoyed low inflation, and low interest rates. We have exchange rate stability because we are members of the euro. And membership gives us protection at a time of unprecedented turmoil in the financial markets

But the defeat of the Lisbon Treaty puts our European policy in jeopardy. The strategy of the last half century could be reversed if we do not ratify the Treaty and allow it to come into force. That is how I see the facts.

I never believed that with less than 1% of the Union's population we could veto reforms ratified by the other twenty-six countries.

Neither did I believe we could force the other twenty-six countries to re-

negotiate the Treaty just because we said so. It was a cruel deception to pretend otherwise. As I drove through Roscommon the referendum posters screamed “Roscommon needs a hospital - Vote No” what a policy guideline to use in renegotiating the Lisbon Treaty

As a realist, I prefer to face the facts. It seems to me that we have no political choice other than to try and ratify the Treaty by winning a second referendum. If we fail, and there is a second “No” to Lisbon, then we will put our membership of the Union at risk.

In all probability we will set off a chain reaction that would lead to the sort of isolation so feared by Dr. Whitaker a half century ago.

That would be a catastrophe. It would also be a tragedy because so many of the arguments advanced against the Lisbon Treaty were at variance with the facts. To put it bluntly, they were lies.

There was no threat of conscription or of a European army in the Treaty.

Neither were we going to be robbed of our low corporate tax rate. Or lose our neutrality.

I found the propaganda campaign on the “No” side to be objectionable because it violated the facts. It ignored the most obvious fact of all: Ireland needs Europe more than Europe needs Ireland. Without full membership, and all the privileges that go with it, we would be left to our devices at a time when the world is in turmoil.

Those of us who believe in the facts and who understand risk were at fault in the referendum campaign. We stayed silent, or got involved too late, or didn't bother to vote.

The risks attached to a second “No” vote are so great that we have no alternative except to win the next referendum. That's the realist in me speaking.

I finish with these thoughts on the current crisis in the global capital markets. The failure in the American banking system has spread like a contagion throughout the world and the whole process is a perfect example of Gresham's Law: "*Bad money drives out good*".

There will be no cure for the loss of confidence until lenders and investors are put in a position where they can distinguish between good and bad money – in this instance between good and bad assets. I am afraid there will be blood in Irish banking.

The Irish government is to be congratulated, for its original solution in dealing with the liquidity crisis in the banking system. There is absolutely no doubt that peoples and companies' deposits in banks must be protected. If the European Central Bank sticks to the objectives of economic stability and financial security then we Europeans can weather the storm.

In the new financial world ahead there will have to be greater regulation of banks and other financial institutions so as to reduce our collective exposure to unnecessary risk.

But I don't believe that venture capitalists need fear these developments. As I said at the beginning, you respect risk and manage it on the basis of the facts as you see them. This combination exonerates you from the criticism being heaped on other financiers.

In fact, I believe that the world badly needs a confident and optimistic approach to investment, especially in the technologies of tomorrow. That is where you come in.

In our first year in Mainstream we have identified a need for new and innovative forms of funding. Dolmen and NCB our funding partners are here and will be part of the fundraising effort.

You can also visit our web site.

As venture capitalists, entrepreneurs and technologists, we face a challenge commensurate with the opportunity.....the participation in and winning for ourselves a seat at the table of the third industrial revolution.

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