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Water Is Future for 'Cleantech' Investment, Frog Capital's Omari Says

By Katie Linsell - Aug 18, 2011

Clean water, in short supply for almost 1 billion people around the world, will be the focus of investment for Frog Capital Ltd. as the U.K. venture capital firm sees rising demand from a burgeoning global population.

"There's a lot of innovation and effort going into how the water supply is treated and managed," Iyad Omari, a partner at the London-based Frog Capital Cleantech Fund, said in an interview. "I've seen hundreds of small companies that are doing innovative things in this area."

Almost half the world's population will be living in areas affected by "high water stress" by 2030, according to the [United Nations](#). As growing numbers of people put pressure on limited supplies of drinking water, there's increasing demand for technology that can make water treatment cheaper, cleaner, more widespread and more efficient.

[Frog Capital](#), which has invested in two water-purification companies, has 60 percent to 70 percent of its initial 100 million-euro (\$144 million) capital still to invest, Omari said in London on Aug. 11. The firm sees an "impressive growth rate" among "innovative" wastewater companies, he said.

Frog Capital has divested three companies from its portfolio in the past 12 months, accumulating funds to channel into businesses producing technology that harnesses renewable power, boosts [energy efficiency](#) and reduces waste.

Frog Investments

The firm has invested in [Ostara Nutrient Recovery Technologies Inc.](#), a Vancouver-based purification company that recycles phosphorus and ammonia from sewage into fertilizer. The process treats water without recourse to desalination facilities, cutting costs.

"Desalination is extremely interesting but it's something everybody thinks of," Omari said, adding that Ostara is in talks on a partnership with [Veolia Environnement SA \(VIE\)](#), the world's largest water company. "A wastewater treatment business that is also a fertilizer company has the potential to be huge."

With the global population adding 75 million people a year, food demand is set to put further strain on crops, increasing the need for fertilizer and spurring investment in technology to expand output.

"The whole environmental sector is getting out of its old skin and getting into a new one, which is about thinking outside the box," Omari said.

As shares in solar and wind companies slump on concern the global economic recovery is stalling, funds that remain "disciplined about value" are looking to other investments such as water, he said. Almost 1 billion people, about one in eight, lack access to clean water, according to [water.org](#), a non-profit organization based in [Kansas City, Missouri](#).

Smart Grids

Frog is also studying investment in smart-grid technology, which includes devices to curb power consumption and reduce energy loss in electricity generation and distribution.

"We're looking at smart grid constantly," Omari said. "I have a few things in the pipeline that are related to this."

The European Union has more than 100 smart-grid projects under way or completed, and 80 percent of homes will be equipped with smart meters by 2020, according to London-based researcher Bloomberg New Energy Finance. The U.S. plans to install smart meters in about half of all homes by 2013, BNEF data show.

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