

## Capital energy storage companies

UK-headquartered Zenob? Energy attracted the most venture capital (VC) funding of any company in the energy storage industry during 2023, as found by Mercom Capital.

Research group Mercom has just published its latest quarterly report into corporate funding and M& A activity in the sector. As with previous years' fourth-quarter editions, Mercom has used its Q4 2023 report as an opportunity to offer a roundup of activity over the whole of last year.

Mercom found there was a decline of 28% year-on-year (YoY) in the total sum of corporate funding, with US\$19 billion raised across 120 deals in 2023, versus US\$26.4 billion in 2022 from 124 deals.

It remains to be seen which will be the blip and which the trendsetter - this time last year, Mercom Capital proclaimed 2022 to have seen corporate funding at an all-time high, representing a 55% uplift from 2021's US\$17 billion total.

Analysis provided with the new report reiterated what the firm said at the time: 2022's figures were skewed by the inclusion of LG Energy Solution's US\$10.7 billion IPO.

Conversely, VC money flowed into energy storage companies like never before in 2023. Tailwinds such as the US Inflation Reduction Act (IRA) tax credits for domestic manufacturing of clean energy technologies including batteries provided positive signals to investors, Mercom Capital CEO Raj Prabhu said.

VC funding rose 59% YoY to US\$9.2 billion in 2023, across 86 deals, compared to US\$5.8 billion across 96 deals the previous year. Again the dynamics make for an interesting YoY comparison, with 2021 seeing US\$8.8 billion VC funding in the space. Prabhu had said the drop between 2021 and 2022 was a sign of increasing maturity in the sector.

Since then, the IRA tax credits have, as regular readers of this site will know, ushered in wave after wave of investment into US-based battery production and latterly also materials extraction and processing to feed the new gigafactories.

2023 also saw declines in the level of debt and public market financing within energy storage, as well as in the volume of M& A transactions recorded, according to Mercom.

Debt and public market financing fell 52% even though the number of deals went up, with US\$9.8 billion committed through 34 deals in 2023, versus US\$20.6 billion from just 28 transactions during 2022. In that year, there were 28 M& A deals, whereas in 2023, there were just 15.



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While VC funding was lifted up by industry-specific tailwinds, the decline in debt and public market and M&A financings and transactions may be attributable to more general headwinds such as high interest rates, Mercom's CEO said.

"Energy storage companies saw their highest VC funding in 2023, largely thanks to the IRA's investment tax credit (ITC) and other incentives like manufacturing credits for battery components," Prabhu said.

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