

'You can get a robust return and take care of the planet,' Al Gore tells investors

BY MARY KATHLEEN FLYNN



"If you've got a lot of money tied up in sub-prime carbon assets, watch out," former Vice President Al Gore warned an audience of institutional investors in New York on Thursday.

"People are going to lose a lot of money in the transition from the high-carbon economy to the low-carbon economy, and if you're a money manager and you've got a lot of money invested in the carbon-based economy, then you're doing a very bad job for your portfolio and you're taking a huge risk," [said Gore at a conference](#) hosted by the Rockefeller Philanthropy Advisors on how climate change will affect investment strategy.

Gore blamed the current economic crisis on "a failure of sustainability, short-termism and a failure of corporate governance from Lehman Brothers to Bear Stearns, among others."

Gore appeared on stage with friend and business partner David Blood, the former CEO of Goldman Sachs Asset Management. Blood and Gore, as they like to refer to themselves, co-founded Generation Investment Management LLP in 2004. Generation's investment approach is based on the idea that "sustainability factors," including economic, environmental, social and governance criteria, will drive a company's returns over the long term.

"I came into this with a fresh perspective that enabled me to look at it differently," Gore said of moving into the private sector and becoming an investor. "I was amazed at the disconnect that jumped out at me between how the markets behave and the way money managers behave."

Thirty years ago, the average investment holding period was 30 years, said Gore. Now mutual funds turn over within 11 or 12 months. "That's not investing--that's guessing what others are going to do," he said. "They call it 'momentum investing,' but momentum investing is something I've done in Las Vegas from time to time."

"One thing I've learned during my time in the private sector is that people will do what you pay them to do," said Gore. "A longer time period for the structure of compensation for money managers is a key to sustainability."

Gore's remarks aimed at persuading the managers of endowment funds to increase their investments in companies that focus on conserving energy and developing renewable sources of energy. In 2006, endowment assets totaled more than \$600 billion (the most recent figures

available), according to The Foundation Center. Among the most promising technologies identified by Gore and Blood were solar, wind, geothermal, smart grids and electric cars, while they also advocated retro-fitting buildings with better insulation. To emphasize the retro-fitting idea, Gore was presented with a caulking gun from Rockefeller Philanthropy Advisors president and CEO Melissa Berman.

Asked by Tech Confidential about his role as a partner at venture capital firm Kleiner Perkins Caufield Byers, a major investor in cleantech, Gore explained that the relationship emerged as a result of a strategic partnership between Generation and KPCB. "I'm having a great time with the folks at Kleiner Perkins and learning a lot from them," he said.

KPCB, which announced a \$500 million Green Growth Fund in May, led a \$75 million investment in Silver Spring Networks last month, with Gore's joining the smart-grid company's advisory board. His other connections to Silicon Valley include serving on the board of directors of Apple Inc. [APPL] and as a senior advisor to Google Inc.[GOOG]. (In the photo, courtesy of Fortune, Gore is flanked by Blood on the left and Kleiner Perkins partner John Doerr on the right.)

Gore argued that investing in cleantech is more than do-goodism; It's also smart investment strategy. "You can get a robust return and take care of the planet," he said.

Gore, who sported cowboy boots along with a business suit, seems content these days in the private sector. Indeed, he seems unlikely to join the Obama administration, although many have backed him for the position of "climate czar." After his presentation, Gore told MarketWatch he will "not be taking a formal role" in the new regime, although he said he is in touch with the President-elect and is "happy to help."