Green Growth or Greenwash: Can Corporate Venture Capital Help Green Startups?

David Wunder, Aalto University, Finland

$266 trillion—this staggering amount is needed globally between now and 2050 to combat climate change, according to the Climate Policy Initiative.[1] The International Energy Agency (IEA) adds that 35% of the emissions reductions needed will depend on technologies still under development and not yet commercially available, underscoring the essential role of green startups.

CVCs at the forefront of green investments

Consequently, climate tech VC investments skyrocketed, exceeding $50 billion globally in 2022, according to Pitchbook data. Notably, corporate venture capital (CVC) investors contributed to nearly half of the total investment volume, highlighting the corporate sector's commitment to investing in green technologies. For green startups, CVC can offer promising partnerships. Beyond financial backing, CVCs provide patience and access to their parent companies' resources, industry insights, customers, and networks.

But what are their motives?

However, for green startups, the surge in CVC investments raises fundamental questions about the underlying motives: Are CVCs truly committed to and capable of supporting startups, or do motives like greenwashing dominate? On one side, CVC investments may align with genuine corporate sustainability goals, aiming to scale green technologies. On the flip side, CVC investments may serve as facades to enhance environmental images without real commitment. Moreover, prior research has highlighted the "dark side" of CVC, where startups are at risk of exploitation. Understanding the investment motives and consequences can be crucial for green entrepreneurs to navigate CVC relationships.

Consider for example BP Ventures, the CVC arm of oil and gas giant BP. Despite—or perhaps because of?—heavy scrutiny for greenwashing[2], BP Ventures plans to allocate over 90% of its future funding to climate tech startups[3]. As a green entrepreneur, would you take the money or give this investment opportunity a pass?

Examining the role of CVC for green startups

In our research, we examine the drivers of CVC's green investments and how these investments contribute to startups' subsequent environmental outcomes. We collected a comprehensive dataset from 2000 to 2019 that consists of innovative, European startups that have received VC funding. By using patent data to measure environmental and climate-change technologies, we can explore the distinct relationships between CVC and startups' green innovation, both before and after the investment. Interviews with multiple startups and investors enrich our findings.

We find that CVC investments are more likely for startups with green technologies. A closer look reveals that CVC investors with parent corporations engaged in green innovation themselves are the most likely to fund green startups. Thus, greenwashing does not appear to be a motive driving green investments, a conclusion reinforced by multiple robustness tests. Instead, our interviews indicate that corporations pursue green investments for strategic reasons. While sustainability is on the strategic agenda in almost every corporate boardroom, green CVCs, driven by the strong sustainability focus of their corporate parent, are particularly inclined to invest in green startups.

Once the investment has occurred, only green CVCs can stimulate startups' subsequent green innovation. Our results underscore the importance of complementary green resources, which not all CVCs possess, in facilitating startup green innovation post-investment. One green CVC investor explained how they can add unique value to a green startup:

> *Let's say a company is doing robotics in agriculture, and they need to speak to someone very knowledgeable about biodiversity in corn fields or know about the herbicides and pesticides used. There is quite a good chance that we have someone internally who knows everything there is to know about that specific area. So, we connect those people and say this startup could really use some help understanding the problems that they have here and the environmental aspect of it.*

Key takeaways for green entrepreneurs

While CVC investments present opportunities for green startups they also come with certain considerations. For entrepreneurs committed to combating climate change, our research reveals two key takeaways.

1. **Funding alone does not guarantee green success.** Securing funding is a significant achievement for your green startup, but not all investors share the same commitment or bring the necessary capabilities to help you combat climate change.
2. **Seek green complementarities.** Prioritize investors who have complementary skills and resources and who genuinely understand your sustainability goals. These investors can provide invaluable sustainability support beyond financial backing.

CONTACT: David Wunder; david.wunder@aalto.fi; Aalto University; Maarintie 8. 02150 Espoo, Finland.

---

[1] Climate Policy Initiative (2023). *Global Landscape of Climate Finance 2023.* and Bloomberg (2024). *Climate Change: $266 Trillion to Fight Global Warming Is a No-Brainer.*
[2] Bloomberg (2024). *US Lawmakers Call Out Exxon, Chevron, Shell, BP for Greenwashing.*
[3] Sifted (2023). *BP promises to back more climate tech — but will it make a dent in its emissions?*