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Impact Startups 2023

November 2023



Initiators



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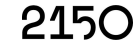
ImpactCity ImpactFest

ImpactCity The Hague is a leading European ecosystem for organisations that combine 'doing good and doing business'. We facilitate innovative entrepreneurs in starting and scaling up their businesses.



We are a modern bank for people and businesses across the Nordics with deep financial competence and leading innovative solutions.

Other Impact partners



Knowledge partners



What you need to know



Strong global slowdown in impact VC funding despite the need for a massive acceleration on SDG progress.

Impact startups have raised over \$41B in 2023 so far, a projected 36% drop from 2021-2022 levels. This is in line with global VC capital dropping 35%.

This drops is especially worrying since none of the 17 goals is on-track to be achieved in 2023.

In addition, impact startups are now worth a combined \$2.4T.



Europe surpasses the US, and still a long way for climate justice.

Europe has now surpassed the US for VC impact funding in 2023, and keeps being by far the region with the highest share of impact funding (over 30%)vs less than 10%.

Low and middle income countries are attracting a minimal 5% share of global impact funding, despite housing over 50% of global population and being the most exposed to climate change impacts.

More help is needed to develop their domestic impact ecosystem.



Climate tech dominates

Climate-related SDGs attract, by far, the vast majority of impact investment. On the other hand, startups addressing social related UN SDGs are underfunded.

Several Climate Tech segments are among the fastest growing venture capital categories such as carbon tech, lab grown meat, hydrogen, climate fintech and EV batteries.

Climate tech VC funding is down 35% from last year, but PE, project finance and debt are filling the gap.

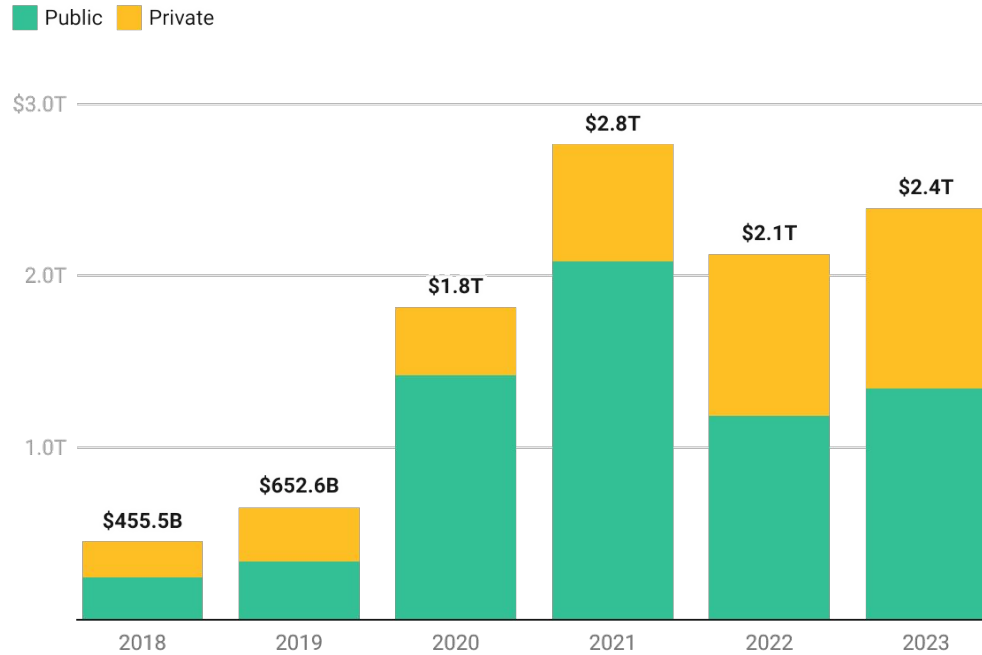
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1 | Investment overview

Impact companies are now worth \$2.4T, a slight decline from the \$2.8T peak in 2021.

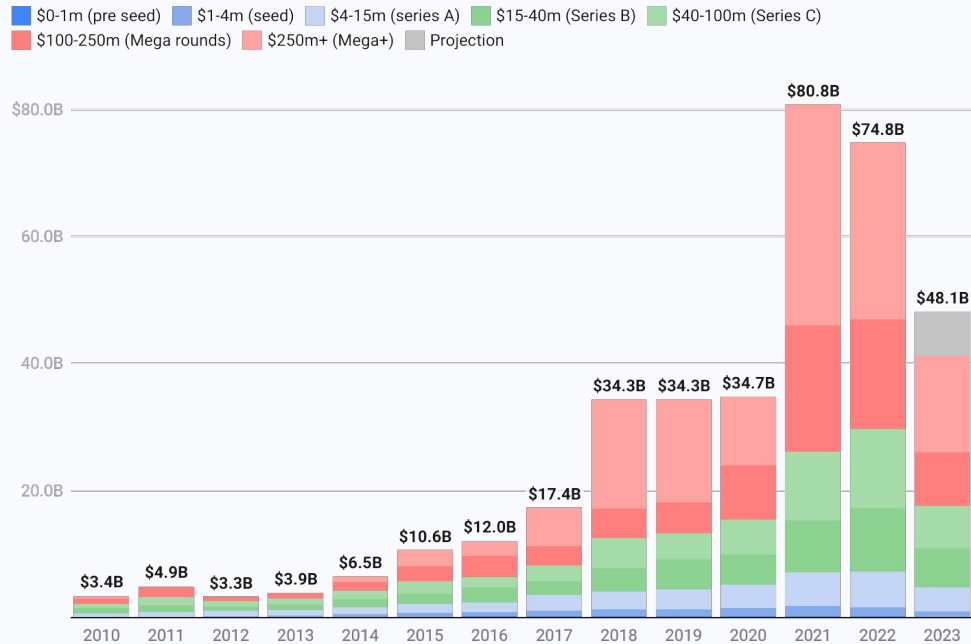
Enterprise value of Impact Startups
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In 2022 impact funding performed well almost matching 2021 levels. Now it is projected to drop 36%, in line with the overall VC market projecting 37% decline.

Venture capital investment into global impact startups

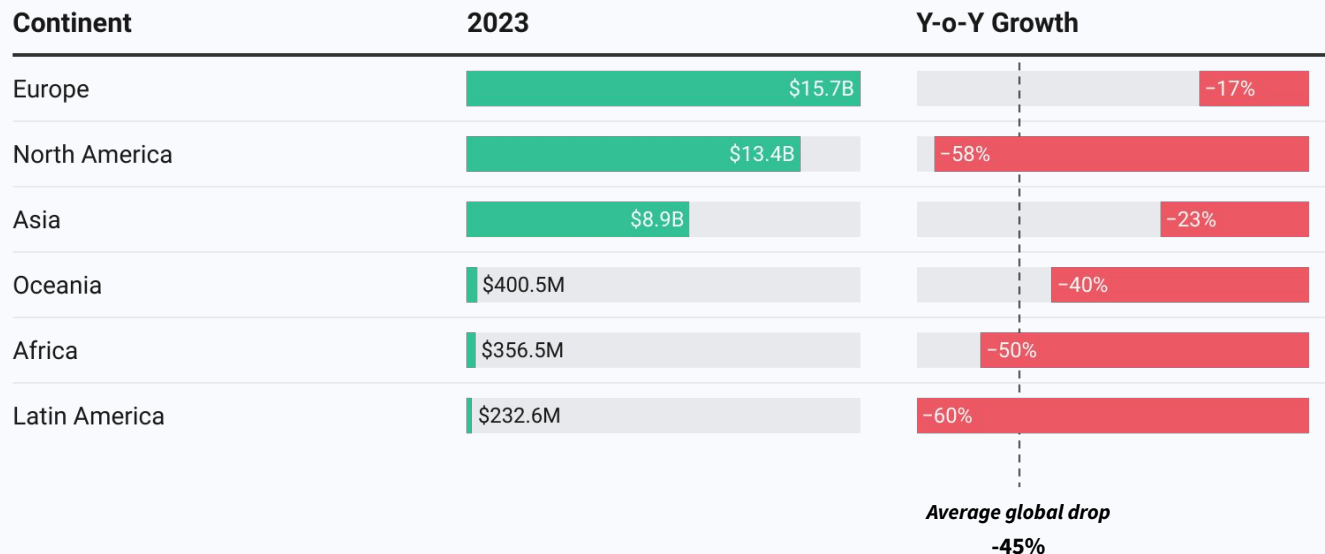
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Europe has surpassed the US as top funder of Impact startups this year and is proving much more resilient in the downturn.

Top Regions by Impact VC Funding

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Slower impact investments are especially worrying because SDGs are slipping out of reach. None of the 17 goals is on-track to be achieved by 2030.

All 17 SDGs are far from being on track for 2030 objective. Only a handful of subsidiary targets for any goal are even close.

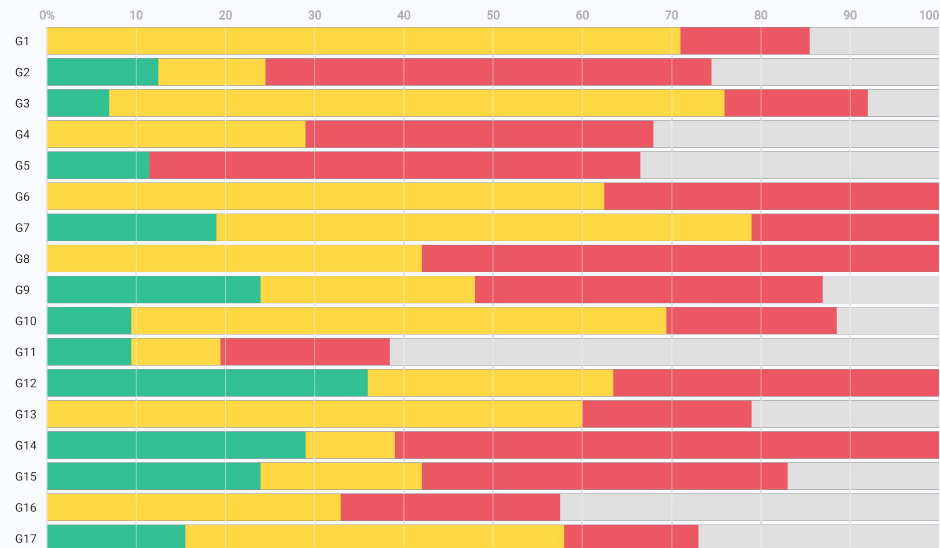
Progress on more than 50 per cent of targets of the SDGs is **weak and insufficient; on 30 per cent, it has stalled or gone into reverse.**

These include key targets on **poverty, hunger and climate.**

Unless action is take now, the **“2030 Agenda could become an epitaph for a world that might have been”**

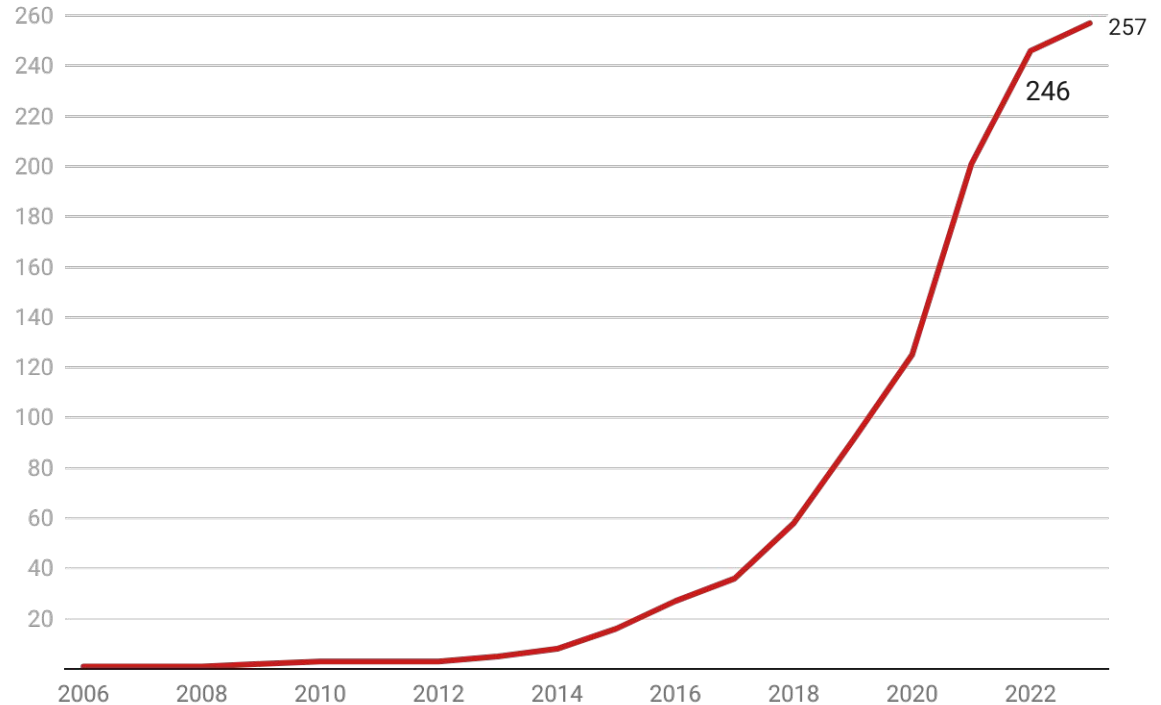
(UN Secretary-General António Guterres)

Progress assessment for the 17 Goals, 2023 or latest*



257 Impact companies founded since 1990 have become Unicorns. Only 11 were minted in 2023 so far.

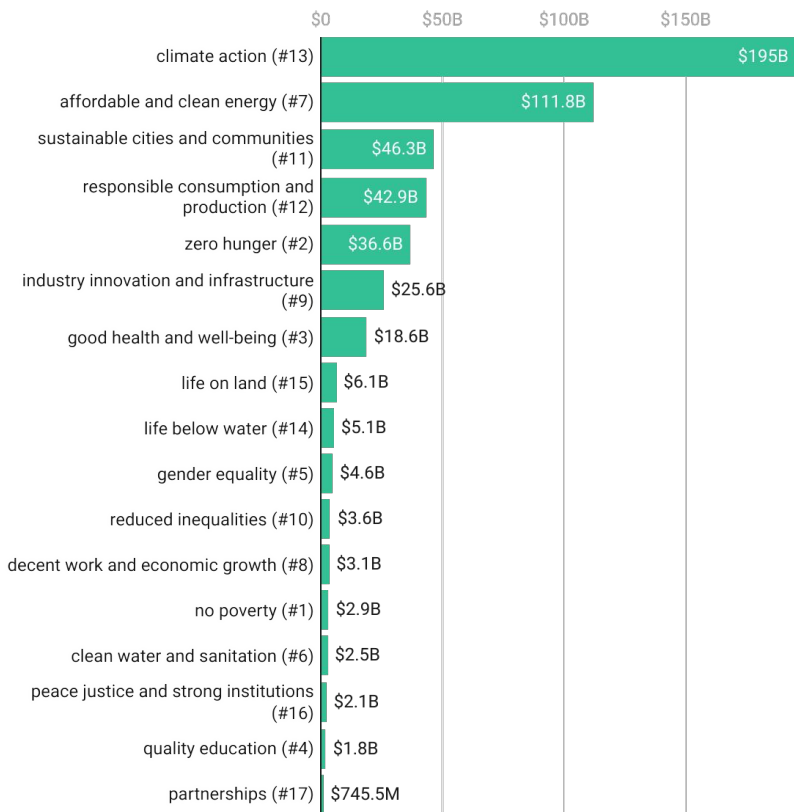
Cumulative number of global impact unicorns
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Climate Action and Affordable & Clean Energy are still by far the most funded Sustainable Development Goals.

2018 to 2023 YTD global investment per Sustainable Development Goal

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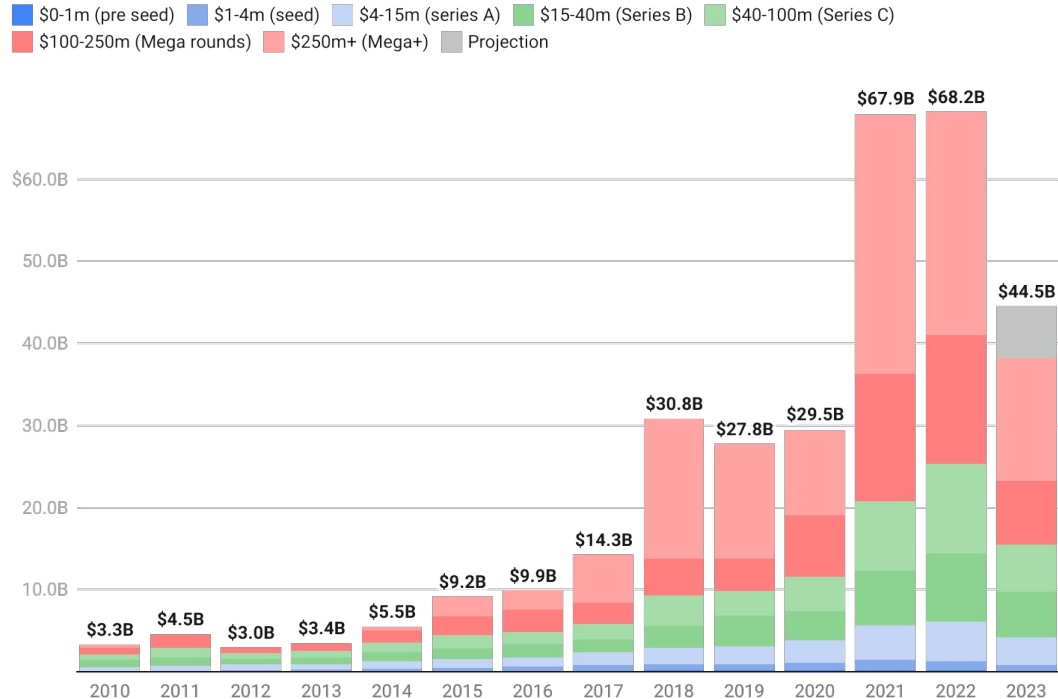


2 | Spotlight themes

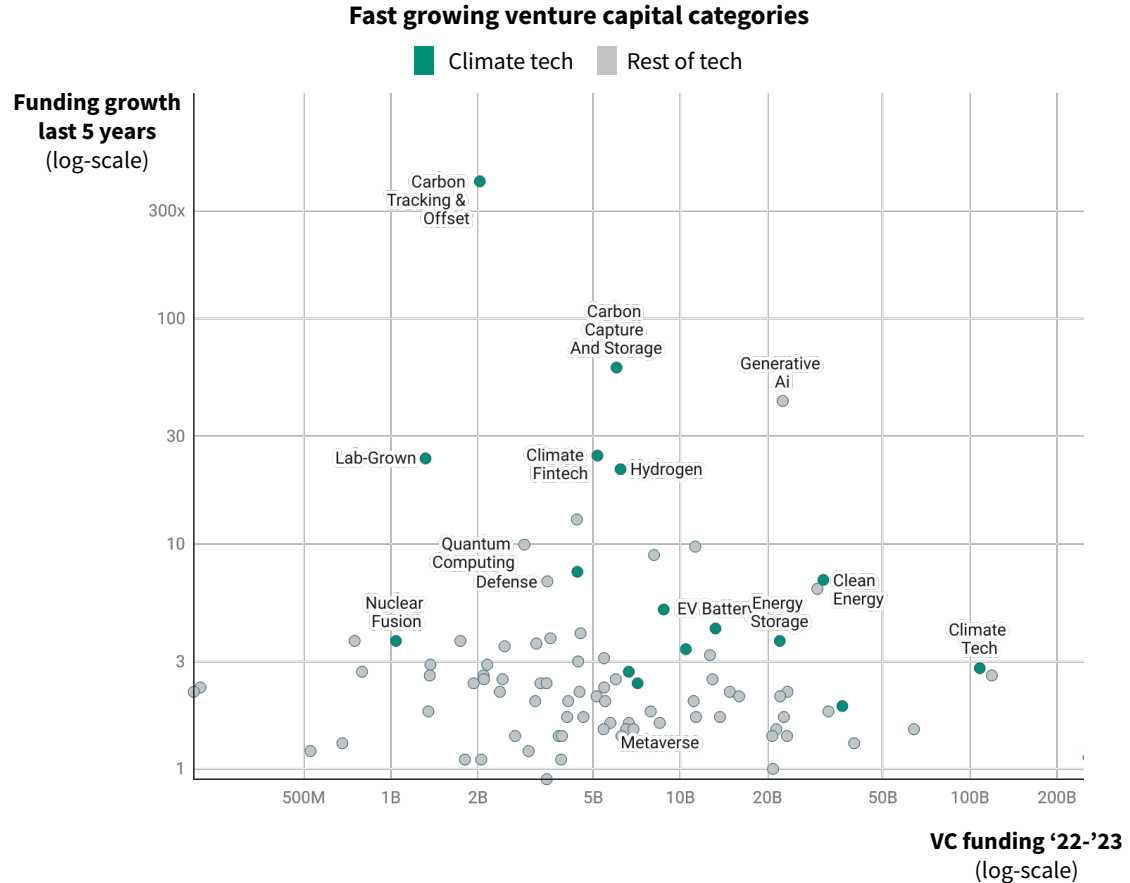
Climate tech startups are projected to raise \$44.5B this year, a 35% drop from 2021-2022 levels.

VC investment in climate tech startups

[» view online](#)

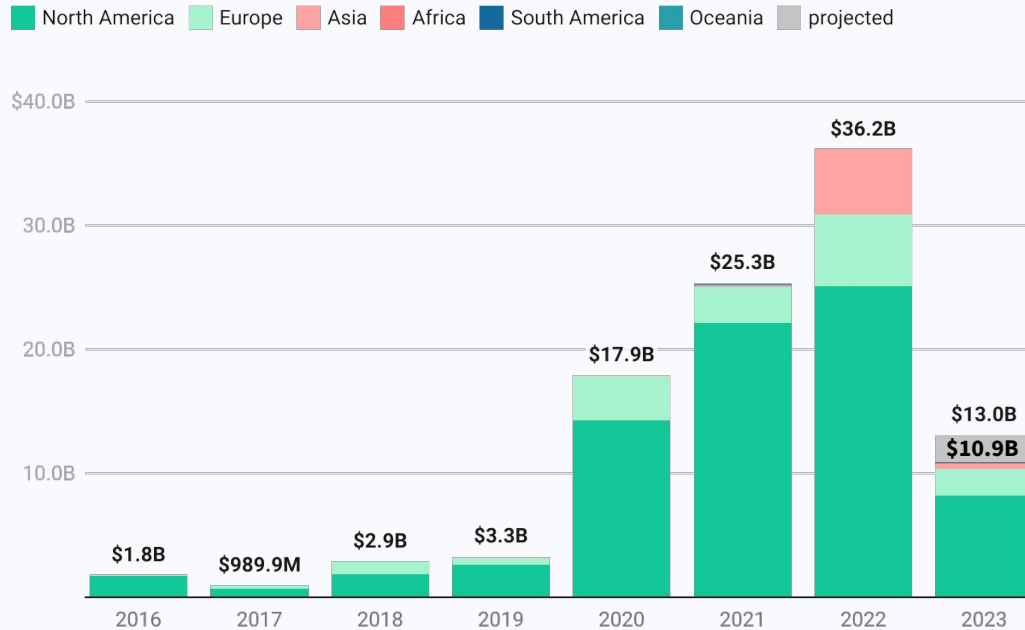


Several Climate Tech segments are among the fastest growing venture capital categories such as carbon tech, lab grown meat, hydrogen, climate fintech and EV batteries.



Climate tech investors raised \$10.9B in 2023 so far, a much slower fundraising pace than last two years. However a lot of dry powder is still available to deploy.

Global climate tech funds by investor HQ



Selected Climate Tech funds raised in 2023



Newly fund launched in 2023



PLANETEER CAPITAL



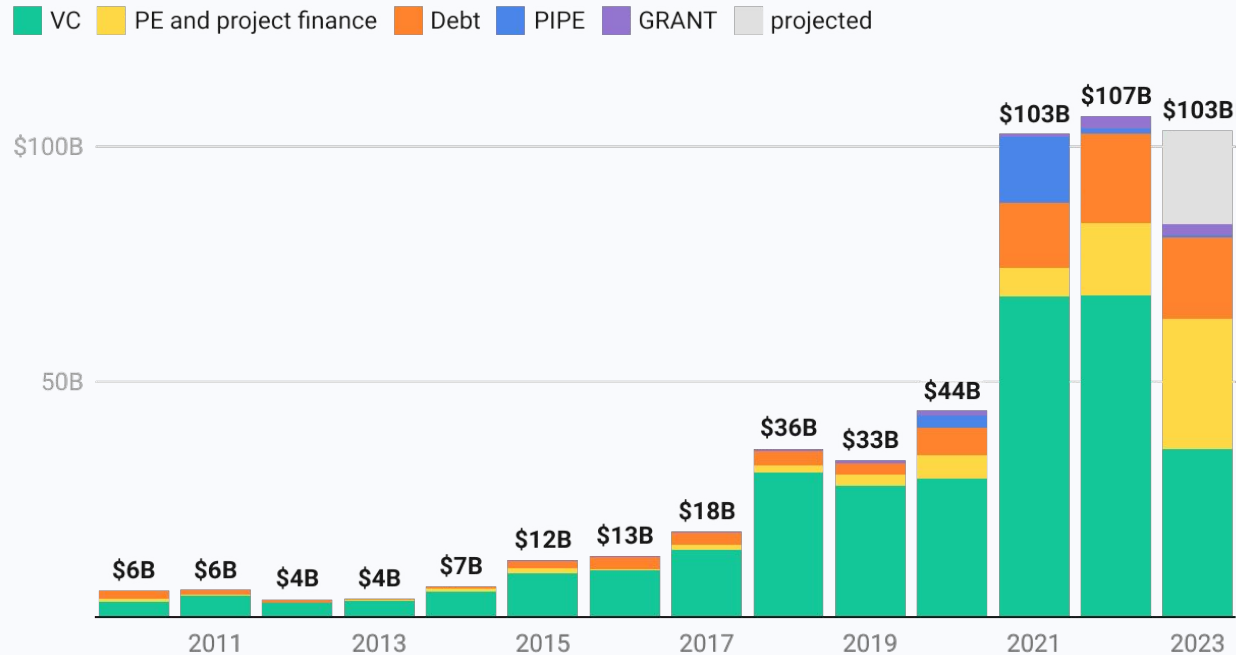
OVERVIEW



Beyond VC funding, climate tech companies raised nearly \$50B in other private financing, an historical high. All together private financing is projected on par with 2021-2022.

Funding to private climate tech companies

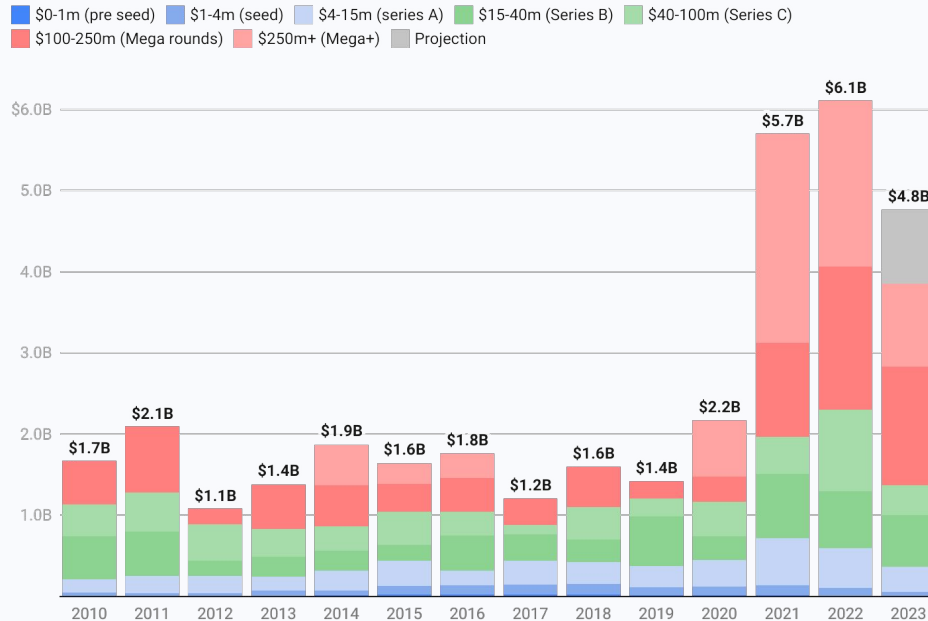
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Renewable energy startups already raised almost \$4B this year, a slight decline from 2021-2022. Solar widely leads attracting 84% of all VC funding in the last 3 years.

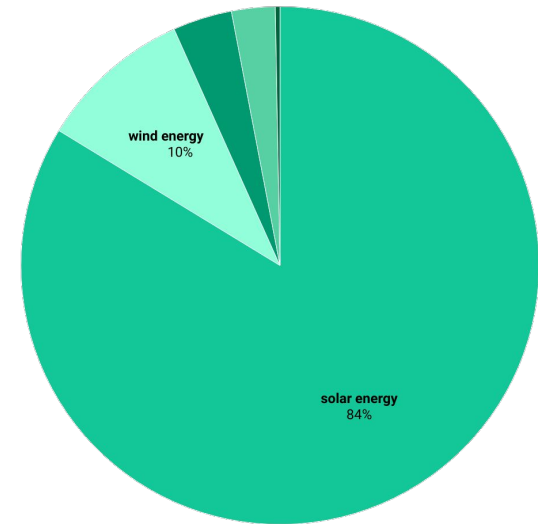
VC investment in renewable energy startups*

[» view online](#)



Renewable energy VC funding by sector (2021-2023)

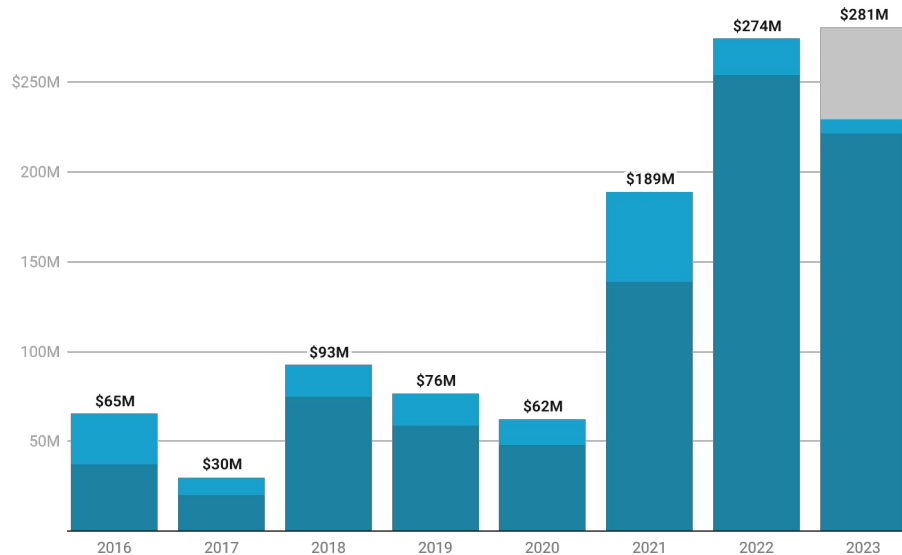
■ solar energy ■ wind energy ■ geothermal energy ■ hydropower ■ wave energy



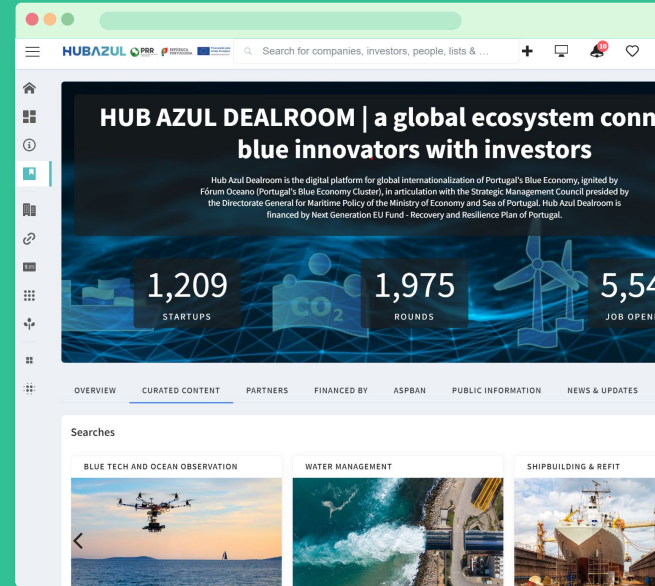
Blue Renewable Energy investments are ramping up to almost \$300M this year, but still represent a small fraction of total energy investments.

VC investment in Blue Renewable Energy

[» view online](#)



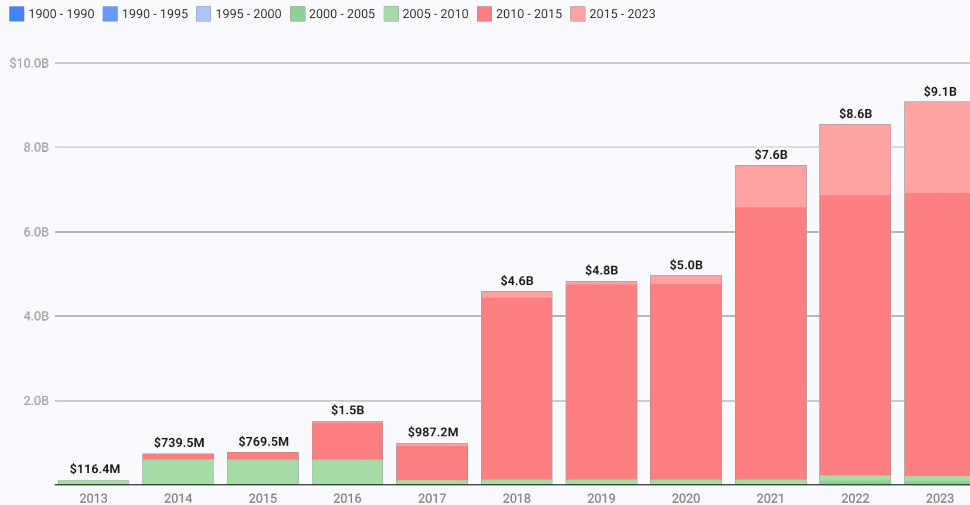
» 1200+ blue tech startups



Food & Ag: the combined valuation of Regenerative Agriculture startups has grown 6x since 2016 to \$9.1B, mostly led by startups founded since 2010.

Combined valuation of regenerative agriculture startups

[» view online](#)



Explore 75+ Regenerative Agriculture startups»

Regenerative agriculture platforms

indigo

Data science platform to enable RegAg practices



Hummingbird Technologies

Scaling regenerative agriculture through remote sensing



vibrant planet

Planning and monitoring for adaptive land management

Soil health & carbon removal

loam

Crop inoculation with symbiotic microorganisms

Eion

Enhanced rock weathering (ERW) carbon removal.

TRACE GENOMICS

Advanced prevention and management of agricultural diseases

Sustainable fertilizers

PIVOT BIO

Microbes for sustainable nitrogen crop nutrition

Sound

Microbiome fertilizer

TerraMera

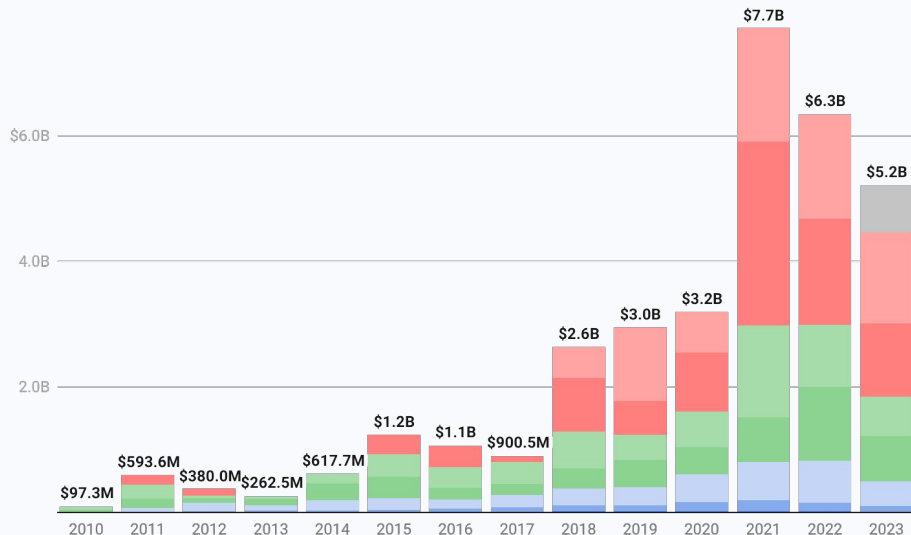
Green crop protection

Circular economy startups are expected to raise \$5.2B in 2023, projected to drop just 17% from last year. However this resilience is mostly led by EV battery recycling.

VC investment in circular economy startups

[» view online](#)

■ \$0-1m (pre seed)
 ■ \$1-4m (seed)
 ■ \$4-15m (series A)
 ■ \$15-40m (Series B)
 ■ \$40-100m (Series C)
 ■ \$100-250m (Mega rounds)
 ■ \$250+ (Mega+)
 ■ Projection



Selected Circular economy rounds in 2023

[» view online](#)

Startup	Funding round	Focus
REDWOOD MATERIALS	\$1.0B Series D	EV battery recycling
ASCEND ELEMENTS	\$460M Series D	EV battery recycling
gradient	\$225M Series D	Water and wastewater treatment
Braven.	\$200M Late VC	Plastic recycling
APK	\$130M Late VC	Plastic recycling

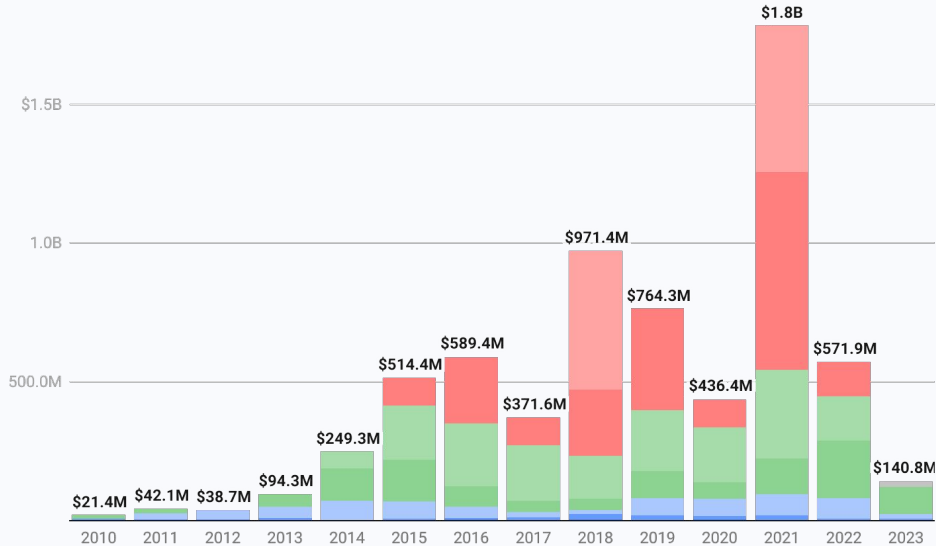
[Explore 1200+ Circular Economy startups»](#)

Funding for circular economy startups in fashion has slowed down dramatically, despite the huge environmental impact of the fashion industry.

VC investment in circular economy for fashion

[» view online](#)

■ \$0-1m (pre seed)
 ■ \$1-4m (seed)
 ■ \$4-15m (series A)
 ■ \$15-40m (Series B)
 ■ \$40-100m (Series C)
 ■ \$100-250m (Mega rounds)
 ■ \$250m+ (Mega+)
 ■ Projection



Main successes

Vinted Vestiaire Collective
depop BOLT THREADS
Spiber Otrium
 TheRealReal RENEWCELL
 TRADESY

[See the full list »](#)

Rising stars

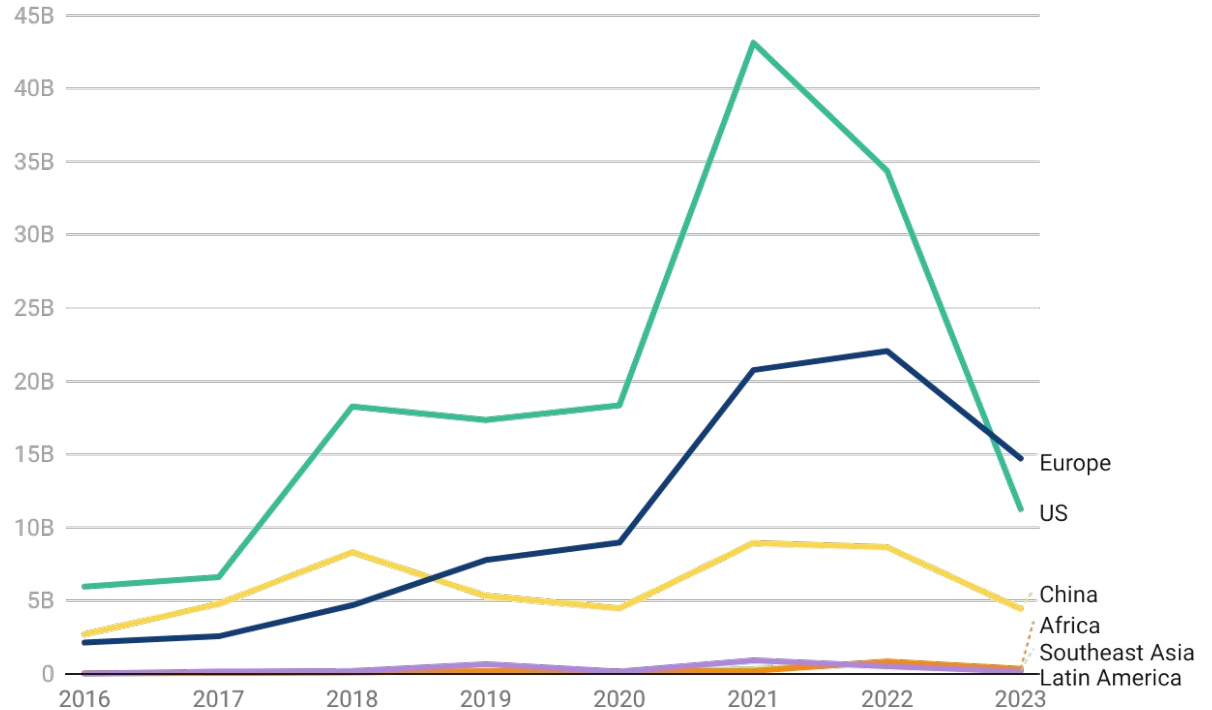
uptraded KANTRA
srtx Vendora
NATURAL FIBER WELDING® ICTYOS
 VitroLabs Inc

[See the full list »](#)

3 | Geographic analysis and climate justice

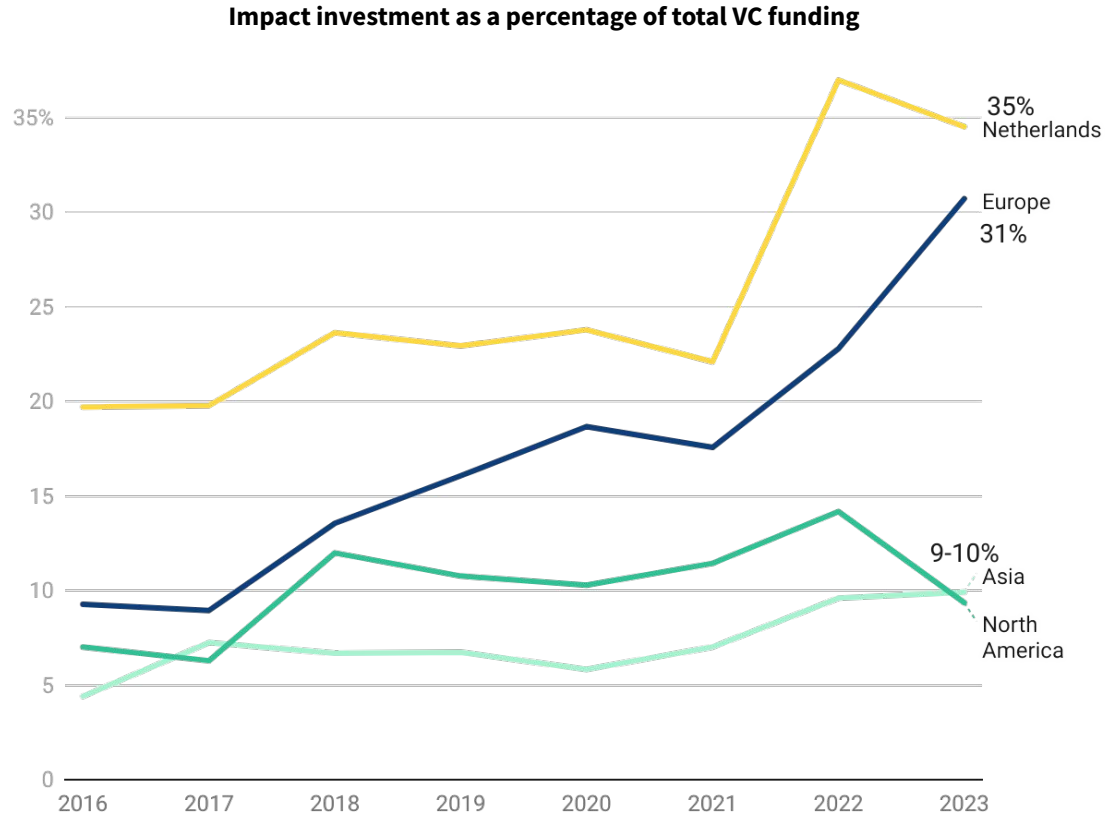
Europe has now surpassed the US to become the leading impact destination.

Impact VC funding by region



Europe is the most impact-oriented among the main startup regions.

The Netherlands also over-index on impact compared to the European average.



Climate change is the largest social injustice of our time.

Low and middle income economies bear a disproportionate impact of climate change.

Developed countries accounted for 57% of the historical cumulative CO2 emissions from fossil fuel use and industry since 1850, despite having, currently, only 16% of the global population⁽¹⁾.

Low and middle income countries instead represent **over 50% of global world population**, but accounted for **less than 10% of historical emissions**, with low-income countries contributing less than 1%⁽¹⁾. In contrast, these countries are projected to bear the most climate change impact⁽²⁾.

Only 5% of Climate tech and Biodiversity funding went to low-income countries in 2023.

There are however many startups HQed in Europe and the US with all or large part of their activities in low-income countries (e.g. [Zola Electric](#), [Lumos](#), [Pula](#)).

Also, the **cost of capital** for utility-scale clean energy projects in Africa is at least **two to three times higher than in advanced economies**. This prevents developers from pursuing commercially viable projects that can deliver affordable energy solutions.

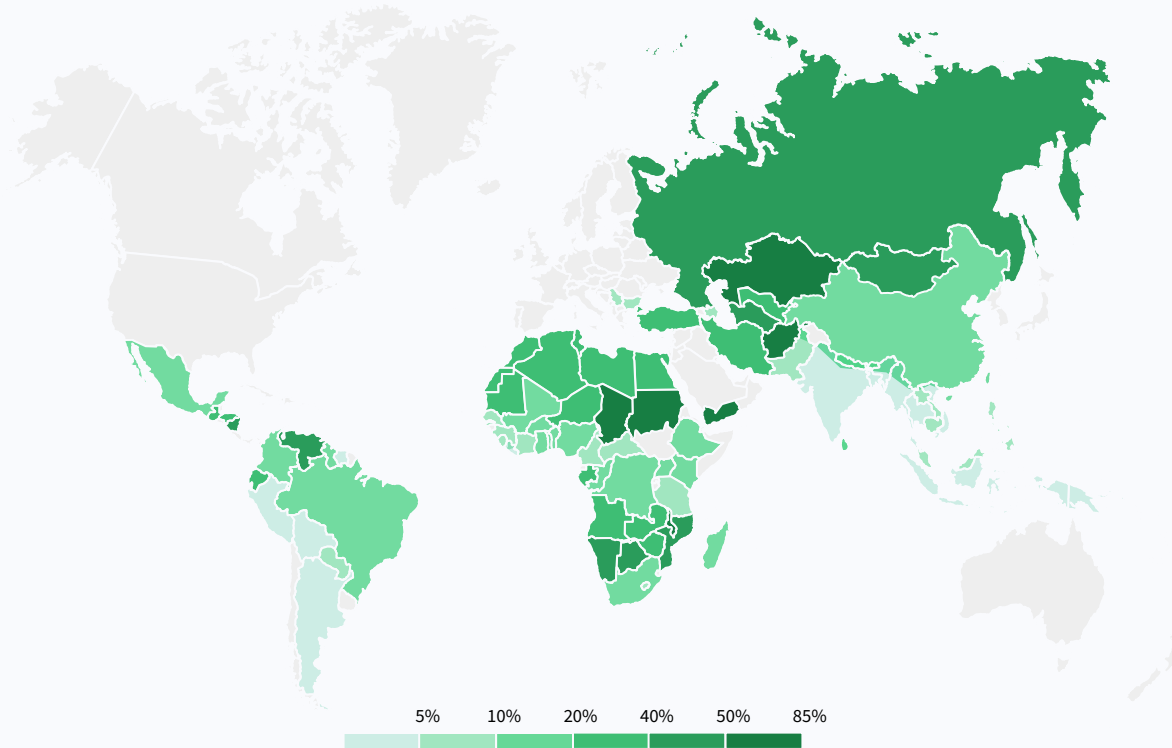
Still very few climate focused fund are set up in low-income countries.

While there are some funds based in high-income countries with geographical focus on low-income countries, there are still few ones HQed in those countries themselves. **Africa, South America and Oceania** on fact accounted for **less than 1% of Climate tech funds raised since 2016**.

Many US and European funds have a strong impact focus, and even philanthropic setup, and can help power the sustainable development of the low-income regions. However, it would auspicious to see a stronger development of a domestic impact VC scene.

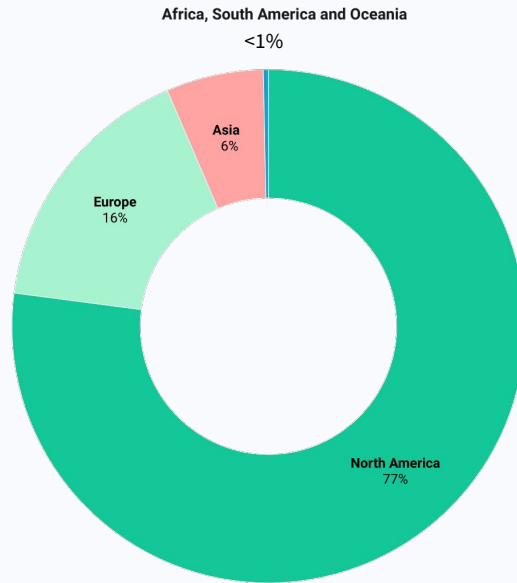
Developing countries bear a disproportionate cost of climate change.

Real GDP per Capita Loss due to Global Warming (1960-2017)



Looking at VC fundraising, very few Climate Tech funds are set up in emerging economies.

Climate Tech funds by Investor HQ (2016-2023)



Very few climate tech funds are set up in emerging economies such as **Latam or Africa**. Even if a local climate tech VC scene is emerging with several funds being raised in 2023 in Africa for instance.

Notably, however, several funds based in Europe/US focus on those regions.

HQ in Africa, Climate Tech

- Equator
- Africa Climate Ventures
- CLIMATE RESILIENCE FUND
- Bidra
- AHL VENTURE PARTNERS
- Katapult Africa

HQ in Africa, partial Climate focus

- NOVASTAR VENTURES
- savannahfund
- VENTURES
- AFRICINVEST

Headquartered outside Africa

- Katapult
- GLOBAL INNOVATION FUND
- CATALYST FUND
- AGG
- .satgana.
- ENERGY ACCESS VENTURES
- MERCY CORPS VENTURES
- XSML

4 | Impact jobs in the Netherlands

11% of all startup jobs in The Netherlands are supported by an impact startup.

Over 15% of startup jobs within the provinces of **South Holland, Friesland and Limburg** are created by impact startups.

Meanwhile, **North Holland, South Holland and North Brabant** startups support over 75% of the country's local impact jobs.

18,500+

of all startup jobs are supported by an impact startup.

830+

Impact startups are headquartered in The Netherlands

Percentage of jobs at impact startups by province

■ ≥ 15% ■ 13%–15% ■ 11%–13% ■ 9%–11% ■ 7%–9% ■ < 7%



Methodology and definitions.

Startups, scaleups, grownups and tech

Companies designed to grow fast. Generally, such companies are VC-investable businesses. Sometimes they can become very big (e.g. \$1B+ valuation).

When startups are successful, they develop into scaleups (>50 people), grownups (>500 people) and result in big companies, like Arrival or Northvolt.

Only companies founded since 1990 are included in this report.

Glossary & Definitions

Venture capital investment

Investment numbers refer to rounds such as Seed, Series A, B, C, ... late stage, and growth equity rounds.

Venture capital investment figures exclude debt or other non-equity funding, lending capital, grants and ICOs.

Buyouts, M&A, secondary rounds, and IPOs are treated as exits: excluded from funding data.

Investment rounds are sourced from public disclosures including press releases, news, filings and verified user-submitted information.

Climate Tech

Climate tech is used as an umbrella term for all startups that have environmental sustainability at the core of their business model. It includes startups focusing on GHGs emissions, biodiversity and environmental protection, pollution (e.g. plastic, chemicals), water usage, and so on.

Environmentally focused SDGs: 7, 11, 12, 13, 14, 15

Sometimes also SDGs 2, 6, 9, 11 can focus on the environment and fall into Climate Tech.

For more info visit our Climate tech guide:
<https://dealroom.co/guides/climate-tech>

Underlying data

Dealroom's proprietary database and software aggregate data comes from multiple sources: harvesting public information, user-submitted data verified by Dealroom, data engineering. All data is verified and curated with an extensive manual process.

Most underlying data from the report is available online via <https://dealroom.co>

For more info please visit dealroom.co or contact support@dealroom.co

Impact is to have sustainability at the core.

In this report, an impact startup is a company that addresses one or more UN Sustainable Development Goal (SDGs) at the core of its business and the potential to scale. Our litmus test: if you remove the impact, you also remove the business.

Impact is often confused with ESGs, while the two concepts have strong differences.

ESGs look at improving financial returns by reducing the risk of the investment, but do not factoring in positive or negative impact on the world (inside-in view).

Impact instead look to solve societal challenges and do good for the world (inside-out view)

Our full taxonomy is available at [this link](#).

In this report we examined over 11,000 global VC-backed impact startups.

Impact and ESGs are two vastly different things with little overlap.

ESGs do not necessarily lead to positive impact on the world.



Impact

DOING GOOD FOR THE WORLD
(STAKEHOLDERS)



Environmental, Social and Corporate Governance (ESG)

REDUCING RISK FOR INVESTORS
(SHAREHOLDERS)



ImpactCity

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