



The Barbell approach to ClimateTech investing, with Amory Poulden

The key to success lies in knowing how to both strive for a lot, and fail well
– Ray Dalio

ClimateTech is one of the fastest-growing start-up sectors. It promises the adoption- and cost-curves of Silicon Valley, with the secular market tailwinds of the decarbonisation revolution.

*This is the 21st century's great wealth-creation opportunity – but getting the macro call right doesn't guarantee you won't go broke on the wrong companies. You'll need an expert guide, and here is ours: **Amory Poulden, VC and Founder of D2 Capital, with his ClimateTech Barbell strategy.***



What is barbell investing?

The barbell strategy was popularised by Nicholas Nassim Taleb in *The Black Swan*, around the fact that human psychology struggles to price tail risks. Investors should focus their assets on a combination of very low-risk and very high-risk assets (structurally undervalued) and avoid the centre of the risk curve (structurally overvalued).

Applying the Barbell to ClimateTech VC investing

'Shallow' ClimateTech:

Climate-positive software products and platforms which disrupt legacy processes.

Strengths: offer the classic capital-light scalability and margins of SaaS.

Think carbon tracking software or carbon market exchanges



Middle ground to avoid: climate service companies (hard to scale) or products that offer minor iterations on existing processes or technologies

'Deep' ClimateTech:

IP-heavy technologies that bring new products or solutions to tricky markets.

Strengths: innovation, powerful moats and scalability from dominant market position

Think revolutionary products and methods for low-carbon materials, energy or CCS

You can find out more about Alex Edmans [here](#)

To find out more about Alex Edmans' work on ESG and finance, listen to his full *Conversations on Climate* episode [here](#)