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## Investors Flock to Battery Recyclers in Hunt for Climate Law Winners

The new investments come despite market turbulence for clean-energy startups



Recyclers like Ascend Elements shred old batteries and take in scrap metal, then turn the materials into useful battery components. PHOTO: JOSHUA DUDLEY GREER FOR THE WALL STREET JOURNAL

By [Amrith Ramkumar](#)

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Investors are racing to find the clean-energy startups best positioned to capitalize on last year's [landmark climate law](#). Many are betting on an industry that is seen as crucial to the U.S. ending its reliance on China for batteries.

Major investors including [BlackRock](#) and Goldman Sachs Asset Management [are pouring money into battery recycling](#), the nascent business of producing reusable battery parts for electric vehicles from scrap metal or old batteries. They are anticipating the startups will survive a turbulent market for clean-energy companies and remain in demand once government incentives dry up.

“That’s the world these companies have to eventually thrive in commercially: one that doesn’t rely on significant subsidies or government support,” said Meghan Sharp, global head of Decarbonization Partners, a joint venture between BlackRock and Singapore’s Temasek Holdings that has raised \$1 billion for its first fund and plans to finish fundraising for it this year.

The latest wager is on Ascend Elements, a battery-recycling startup that said it raised \$460 million in a financing round that included Decarbonization Partners, mining giant BHP and Pacific Investment Management Co., or Pimco. The funding round values the company at roughly \$1.5 billion.



Redwood Materials has a big recycling facility in Nevada where it takes in pallets of used batteries. PHOTO: DAVID CALVERT FOR THE WALL STREET JOURNAL

Last week, [rival recycling startup](#) Redwood Materials said it raised \$1 billion in a funding round that included Goldman Sachs Asset Management. That put the Nevada-based company's valuation at more than \$5 billion, according to a person familiar with the matter.

The investments are among the largest for clean-energy startups this year after battery companies became seen as big winners from the Inflation Reduction Act. Among the incentives giving recyclers and others a boost: [tax credits for electric vehicles](#) that are tied to how much material comes from domestic suppliers or trade partners.

Recycling and processing of battery materials are seen as vital industries for the U.S., where environmental opposition and permitting hurdles make the [mining of minerals such as nickel and lithium](#) more challenging. China is the top player in the electric-vehicle supply chain, a dominance the U.S. is hoping to shake.

Like many other clean-energy companies, most battery recyclers aren't yet profitable.

That wasn't a problem for most startups just a few years ago, when interest rates were low and investors were piling into the clean-energy industry. Much of that money [has dried up](#), leaving many startups in [areas including indoor farming](#) and electric cars struggling to survive.

Several [have filed for bankruptcy](#) in recent weeks, including electric-truck startup [Lordstown Motors](#), indoor-agriculture firm [AppHarvest](#) and electric-bus maker Proterra.

The new bets on recycling show that many investors view it as more promising than other early-stage climate industries. The tax incentives for electric cars using domestically sourced parts are brightening Ascend's business prospects. Recyclers can also [take in scrap material](#) as big battery plants expand their operations, an additional boost.

“All of a sudden, it’s really shifted the demand,” said Ascend CEO Mike O’Kronley. “We see this gigantic wave of battery factories coming soon...There needs to be processing capacity on line available to receive that material.”

The Westborough, Mass.-based company was identified last year as a candidate for roughly \$480 million in federal grants for battery-material suppliers that were part of the 2021 infrastructure law. Ascend plans to use the grants and its new funding to complete a factory in Kentucky and become profitable soon after it is fully operational in 2025. The company recently signed a \$1 billion supply agreement with an undisclosed U.S. customer.

Ascend’s existing investors include South Korea’s SK, one of the world’s biggest battery makers and a [major investor in U.S. factories](#) following the climate law.

Other battery recyclers are expecting to benefit from the climate law as well after getting commitments for [government loans](#). Publicly traded [Li-Cycle Holdings](#) is expanding a factory in Rochester, N.Y. Redwood, run by [Tesla](#)’s former chief technology officer JB Straubel, is building out its Nevada operations and investing \$3.5 billion in a new South Carolina plant.

Another perk for clean-energy startups in the climate law: a new market that lets unprofitable companies [sell their tax credits](#) to big banks or other businesses.

Renewable-energy developer Invenergy recently agreed to sell \$580 million in wind-energy tax credits to [Bank of America](#) and used the transaction to raise debt from a group of banks. Similar deals could give companies more funding options.

“You will see more transactions coming soon,” said Meghan Schultz, Invenergy’s chief financial officer.

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