

European Climate Tech

Capital & M&A Insights · Q4 2026

Capital and buyers are back — but only for the de-risked. The 2026–27 window rewards European climate companies that prove path to profitability and / or contracted cash flows.

AltRaise

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This report is for information purposes only and does not constitute investment advice.

Key findings

Capital and buyers are back — but only for the de-risked. The 2026–27 window rewards European climate companies that prove path to profitability and / or contracted cash flows.

$6.6bn

EUROPEAN CLIMATE VC, Q1 2026

Europe leads climate venture funding.

European climate tech raised $6.6bn of VC in Q1 2026, 20% more than North America — the first time Europe has led all regions (PitchBook).

15.1%

OF EUROPEAN VC GOES TO CLIMATE

Climate is Europe's venture priority.

Climate tech took 15.1% of all European VC in January–September 2026, against 4.4% in the US and 5.7% globally (Dealroom).

56%

OF Q1 VALUE IN THREE $1BN+ ROUNDS

Capital is concentrating.

Three $1bn+ rounds made up 56% of European climate VC in Q1 2026, while deal counts fell to multi-year lows; Series A–B funding has been flat for two years.

78%

OF CLIMATE EXITS ARE M&A

M&A is the exit route.

About 78% of climate tech exits in Q3 2026 were acquisitions; IPOs remain rare and recent listings trade below issue price.

+120%

BESS DEAL VOLUME, Q1 2026 YOY

Storage and grids are the hottest M&A assets.

European battery storage (BESS) deal volume rose 120% year on year in Q1 2026, while solar and wind volumes fell 20–30%.

2 vs 3

WINNING VS LAGGING SECTORS

Winners and losers (AltRaise Climate Sector Map).

Energy and the built environment lead on both capital raising and M&A appetite; carbon removal, carbon capture and food & agriculture lag on both.

3 tests

FOR EXIT TIMING

When to exit (AltRaise Three-Test Exit Timing Framework).

Sell when the market window in your segment is open, the company has just crossed a value-creating milestone, and it has 12–18 months of runway.

10

EXIT-READINESS INDICATORS

What buyers pay for (AltRaise Exit Readiness Scorecard).

Contracted or recurring revenue, proven technology, a path to profitability and scarce assets such as grid connections and permits command premium exit outcomes.

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Executive summary

Europe is now the most climate-committed venture market in the world, but capital has concentrated in fewer, larger, later-stage rounds — and exits are almost entirely M&A. For founders and growth investors, 2026–27 is a real window for exits, but only for companies that can prove contracted, de-risked cash flows.

1. **Capital is concentrating, not retreating.** Europe led all regions in Q1 2026 with $6.6bn of climate VC, 20% above North America — yet its three $1bn+ rounds took 56% of that value and deal count is running below 2025[1]. Climate tech is 15.1% of all European VC in 2026 YTD, versus 4.4% in the US[2].
2. **The money follows power, grids and flexibility.** AI-driven electricity demand, energy security after Ukraine and the Middle East, and EU policy stability are steering capital to firm power, grid tech, storage, energy software and industrial decarbonisation; carbon removal and low-carbon fuels are out of favour.
3. **The "missing middle" persists.** Series A–B has been flat for two years globally; Europe has record fund dry powder ($56bn raised by 61 European climate funds in 2025) but much of it is infrastructure capital, not growth equity[3].
4. **M&A is the exit route.** Around 78% of climate tech exits in Q3 2026 were M\&A; IPOs remain rare and post-IPO performance has been poor[4]. In European energy, buyers pay premiums for certainty — contracted revenue, operational assets, grid access — and discount merchant exposure.
5. **Timing an exit.** The window is open when three things line up: an active buyer universe in your segment, a company that has crossed its key de-risking milestone, and at least 12–18 months of runway so you never sell under pressure. Section 5 sets out the scorecard buyers use.

Notes

1. PitchBook — Fewer deals, bigger bets as Europe leads VC funding for climate tech — pitchbook.com
2. Dealroom — Climate tech deep dive (updated 12 Oct 2026) — dealroom.co
3. Latitude Media — The European cleantech moment that wasn't (Mar 2026) — www.latitudemedia.com
4. Net Zero Insights via SustainabilityOnline — Q3 2026 climate tech funding — sustainabilityonline.net

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1 Capital raising: fewer deals, bigger cheques, later stages

European climate tech raised about $10bn in 2025 (down 13%) but rebounded sharply in 2026: $6.6bn in Q1 alone, a first-ever regional lead, and "over $7bn" in H1 on another count[1,2,3]. Data providers differ on scope, so treat totals as directional; the pattern underneath is consistent.

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Five trends shaping European climate fundraising

Megarounds drive the totals. Three $1bn+ rounds — Low Carbon Materials (UK, $1.5bn), Cloover (Germany, $1.2bn Series A) and Kraken Technologies ($1bn, Octopus spin-off) — made up 56% of Europe's Q1 value. Later in the year, Stegra ($1.5bn growth equity, June), ICEYE ($1.1bn Series F, August), TEKEVER ($580m, September) and Proxima Fusion ($452m Series B, July) followed[4]. Remove the top deals and the market is flat.

Deal count is at a multi-year low. Europe closed 191 rounds in Q1 2026, below the 2025 pace; globally, Q3 2026 saw 686 deals, the fewest since 2021, and average round size rose from $18m to $27m[5]. Investors are backing perceived category leaders and passing on the rest.

Sector rotation towards power and resilience.

Gaining capital	Losing capital
Firm power: fusion, fission, geothermal, storage	Carbon removal and carbon markets (equity down ~50–61%)
Grid tech, flexibility and energy software (Kraken, Cloover)	Low-carbon fuels (down 56% globally in H1)
Industrial decarbonisation: green steel, low-carbon materials	Asset-heavy first-of-a-kind plants without offtake
Earth observation and dual-use (ICEYE, TEKEVER)	Consumer-facing climate apps
Low-carbon data-centre power	Merchant-only renewables development

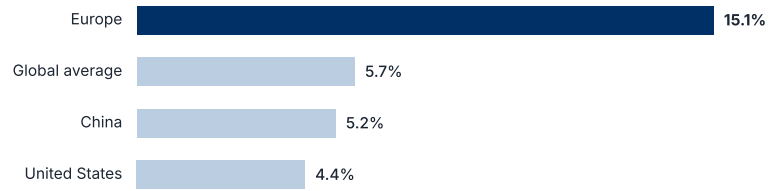
Sources: CTVC H1 2026[8], Latitude Media[6]. Energy security after the wars in Ukraine and the Middle East has become an explicit investment thesis in Europe, and defence-adjacent "dual-use" climate tech is now fundable.

Climate is a bigger share of venture in Europe than anywhere else — and the map is broadening beyond London. Stockholm (+228% over 12 months) and Helsinki (+390%) now rival London, while Munich and Lisbon are rising. Bpifrance, the EIC Fund and InnoEnergy remain the most active repeat investors[4].

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Europe is the most climate-focused venture market

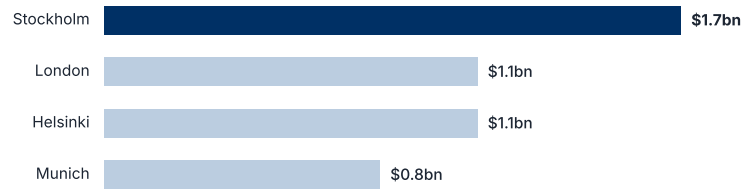
Climate tech share of all VC invested, Jan–Sep 2026 · Source: Dealroom



Dealroom climate tech guide, updated 12 Oct 2026

Stockholm leads European climate VC in 2026

Climate tech VC raised, Jan–Sep 2026, US$ bn · Source: Dealroom



Dealroom climate tech guide, updated 12 Oct 2026

Chart data in text: Climate tech share of all VC invested, January–September 2026: Europe 15.1%, global average 5.7%, China 5.2%, United States 4.4%. Climate tech VC raised by European metro, January–September 2026: Stockholm $1.7bn, London $1.1bn, Helsinki $1.1bn, Munich $0.8bn (Dealroom).

The missing middle and the capital-stack problem. Series A–B volumes have been flat for two years, while Series C+ and growth equity rebound. Debt now funds about a quarter of climate tech, and 73% of founders name capital structure as their biggest financing challenge[6,7]. Europe out-raised the US on climate funds in 2025 (chart below), but most is infrastructure capital; only about 8% of new climate fund capital is venture. Public money is slow: the EU Innovation Fund (€40bn) had disbursed under 5% after five to six years[1].

European climate funds out-raised the US 3.5x in 2025

New climate fund capital closed in 2025, US$ bn · Source: Sightline Climate



Sightline Climate via Latitude Media (Mar 2026)

Chart data in text: New climate fund capital closed in 2025: Europe $56bn across 61 funds; United States $16bn across 31 funds (Sightline Climate).

This dry powder sits mainly with infrastructure investors, which is why de-risked platforms attract buyers while early-stage companies still struggle to raise (section 2).

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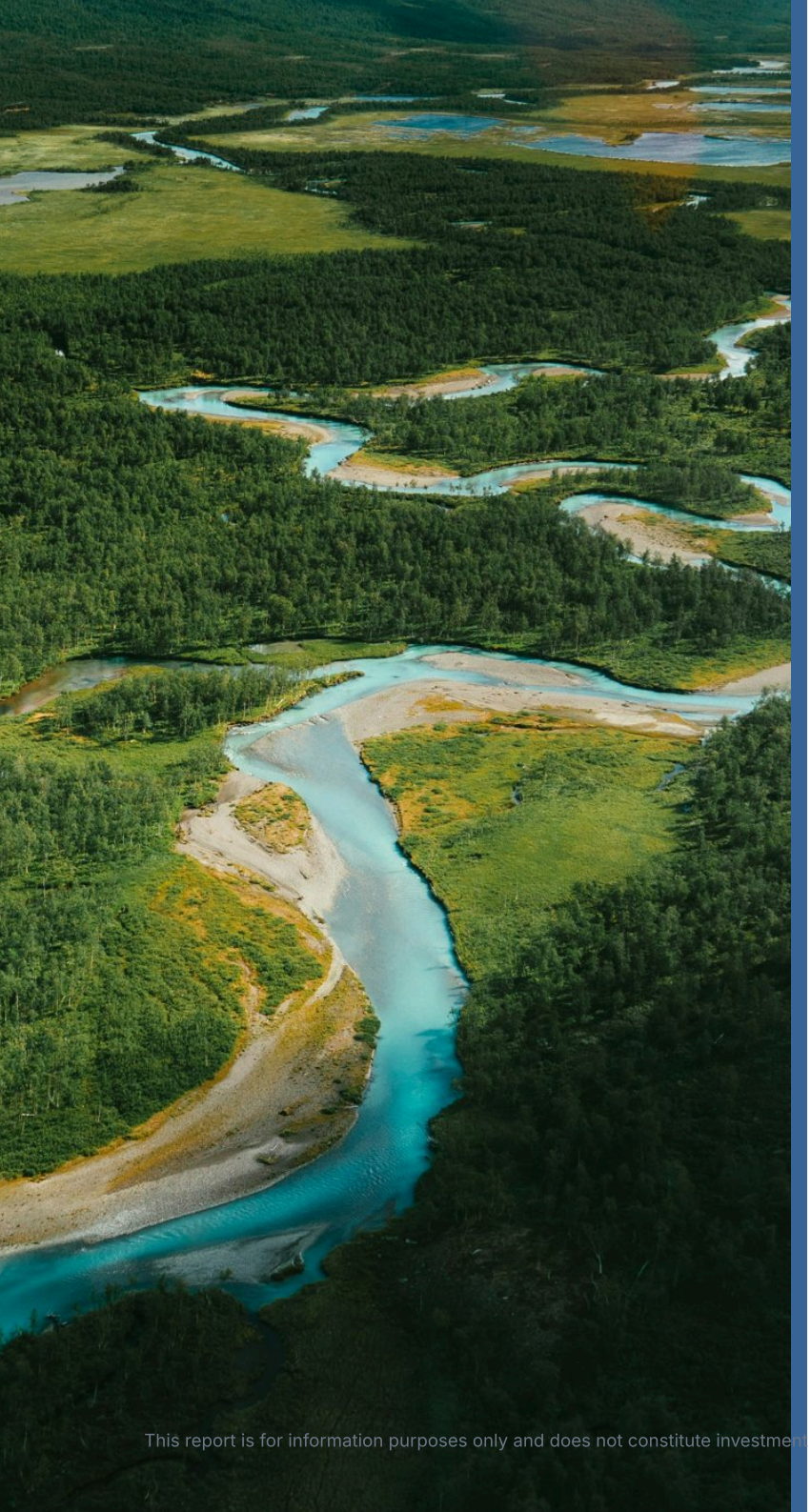
What this means for companies raising

- **Raise to a milestone, not a runway.** Investors fund the step that removes a named risk (first commercial plant, signed offtake, grid connection, ARR threshold).
- **Blend the stack early.** Pair equity with project finance, venture debt, EIB/EIC instruments and strategic capital; a pure-equity plan for hardware deployment reads as a red flag.
- **Bring a strategic into the round.** Utilities, industrials and oil majors increasingly invest before they buy; a strategic on the cap table is often the first step towards an exit.

Notes

1. Latitude Media — The European cleantech moment that wasn't (Mar 2026) — www.latitudemedia.com
2. PitchBook — Fewer deals, bigger bets as Europe leads VC funding for climate tech — pitchbook.com
3. Impact Loop — European climate tech funding H1 2026 — impactloop.com
4. Dealroom — Climate tech deep dive (updated 12 Oct 2026) — dealroom.co
5. Net Zero Insights via SustainabilityOnline — Q3 2026 climate tech funding — sustainabilityonline.net
6. Latitude Media — How the 2026 climate tech market is shaping up (Jul 2026) — www.latitudemedia.com
7. Innovation Zero — Fewer deals, bigger bets: climate tech in autumn 2026 — www.innovationzero.com
8. CTVC — H1 2026 climate tech funding — www.ctvc.co

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2

M&A: certainty commands the premium

M&A is effectively the only exit route in European climate tech, and buyers are paying up for de-risked, contracted cash flows while squeezing everything else. Globally, M&A made up about 78% of 78 climate tech exits in Q3 2026; H1 2026 was the most active exit half-year since 2021[1,2]. Europe's only notable climate IPO this year, General Oceans (Norway, $52m), "passed largely without comment", and US listings such as Fervo and X-energy now trade 35–40% below issue[3].

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Five trends shaping European climate M&A

A K-shaped market. Large strategic deals hold up value while mid-market volumes fall; EMEA energy deal volume dropped from 1,741 in 2021 to about 1,252 in 2025[4,5]. Mid-market buyers are pickier and ask for more downside protection.

Grids and storage are the hot assets. Grid bottlenecks are pushing up network asset values (ENGIE–UK Power Networks, $14.2bn; KfW–TenneT Germany). European battery storage deal volume rose 120% year on year to about 5.5 GW across 26 deals in Q1 2026, while solar and wind volumes fell 20–30%[6].

Regulated beats merchant. Regulated Spanish PV traded at about €3.6–4.2m/MW; merchant solar faces negative prices (470+ hours in Germany in 2025), longer sale processes and heavier diligence. Contracted floors — CfDs, capacity payments, tolling, Italy's MACSE — now drive value.

Consolidation by platform buyers. Infrastructure funds and specialist platforms are rolling up the best projects and companies, often by buying from corporates' venture arms.

Software and data tuck-ins. Carbon accounting, energy analytics and climate data are consolidating fast, typically through undisclosed tuck-ins rather than headline deals.

Selected 2026 European transactions

Date (2026)	Buyer → Target	Segment	Value	Signal
Oct	Hy24 → Hynamics (from EDF)[7]	Hydrogen production, FR/UK	Undisclosed	Consolidation around the most bankable projects
Sep	Greenly → Normative[8]	Carbon accounting, SE	~$74m	Climate SaaS consolidation
H1	Alpiq → Harmony Energy[9]	Battery storage, UK	Undisclosed	Utilities buying flexibility
H1	Assent → iPoint[9]	Sustainability compliance software, DE	Undisclosed	Regulation-driven software demand
Apr	Lucy Group → Nuventura[8]	SF6-free switchgear, DE	Undisclosed	Industrials buying grid hardware
Mar	Energy Aspects → Kayrros[8]	Satellite emissions analytics, FR	Undisclosed	Data/analytics tuck-in
Feb	AllianzGI → 51% of GESI[6]	Battery platform (2.6 GW pipeline)	Undisclosed	Infra funds buying storage platforms
Jan	RWE → Aneo (Swedish wind)[5]	Wind + 1.8 GW pipeline, SE	Undisclosed	Utility portfolio rotation

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Who is buying

- **Utilities and energy majors** — flexibility, storage, grid hardware and customer platforms; also rotating out of non-core assets.
- **Infrastructure funds** (Allianz, Hy24, Octopus Energy Generation, Ardian) — platforms with contracted revenue; largest pools of European dry powder.
- **Industrial strategics** (Lucy Group, Fincantieri, ZEISS) — technology that strengthens core product lines.
- **Climate software consolidators** (Greenly, Dcycle, Assent) — buying customers, data and regulatory coverage (CSRD, CBAM).
- **Private equity** — profitable energy-services, efficiency and HVAC businesses; carve-outs from corporates.

Two practical consequences for sellers: most deal values are undisclosed, which often hides modest outcomes, and buyers now resist paying up front for synergies — expect earn-outs, deferred consideration and milestone-based pricing[5].

AltRaise perspective

"Successful climate M&A comes down to three things. First, revenue a buyer can underwrite: contracts, recurring income or a clear path to profitability. Second, something hard to replicate — a grid connection, a permitted pipeline, proprietary technology or data. Third, a sale prepared like a project. Preparation is the factor sellers control most: clean data, comprehensive marketing package and several credible buyers in parallel turn a bilateral negotiation into a competitive process, and that is where premiums are made."

— **Driss Sefrioui**, Partner and Co-founder, AltRaise

Notes

1. Net Zero Insights via SustainabilityOnline — Q3 2026 climate tech funding — sustainabilityonline.net
2. Latitude Media — How the 2026 climate tech market is shaping up (Jul 2026) — www.latitudemedia.com
3. Net Zero Insights — Climate tech IPOs in 2026 — netzeroinsights.com
4. PwC — Global M&A trends in energy, utilities and resources: 2026 mid-year outlook — www.pwc.com
5. M&A Community — Energy M&A in Europe 2026: seven deal realities — mnacommunity.com
6. M&A Community — European renewables M&A Q1 2026 — mnacommunity.com
7. ESG Today — Hy24 acquires Hynamics from EDF — www.esgtoday.com
8. Startups Acquired — Top startup acquisitions in Europe 2026 — www.startupsacquired.com
9. CTVC — H1 2026 climate tech funding — www.ctvc.co

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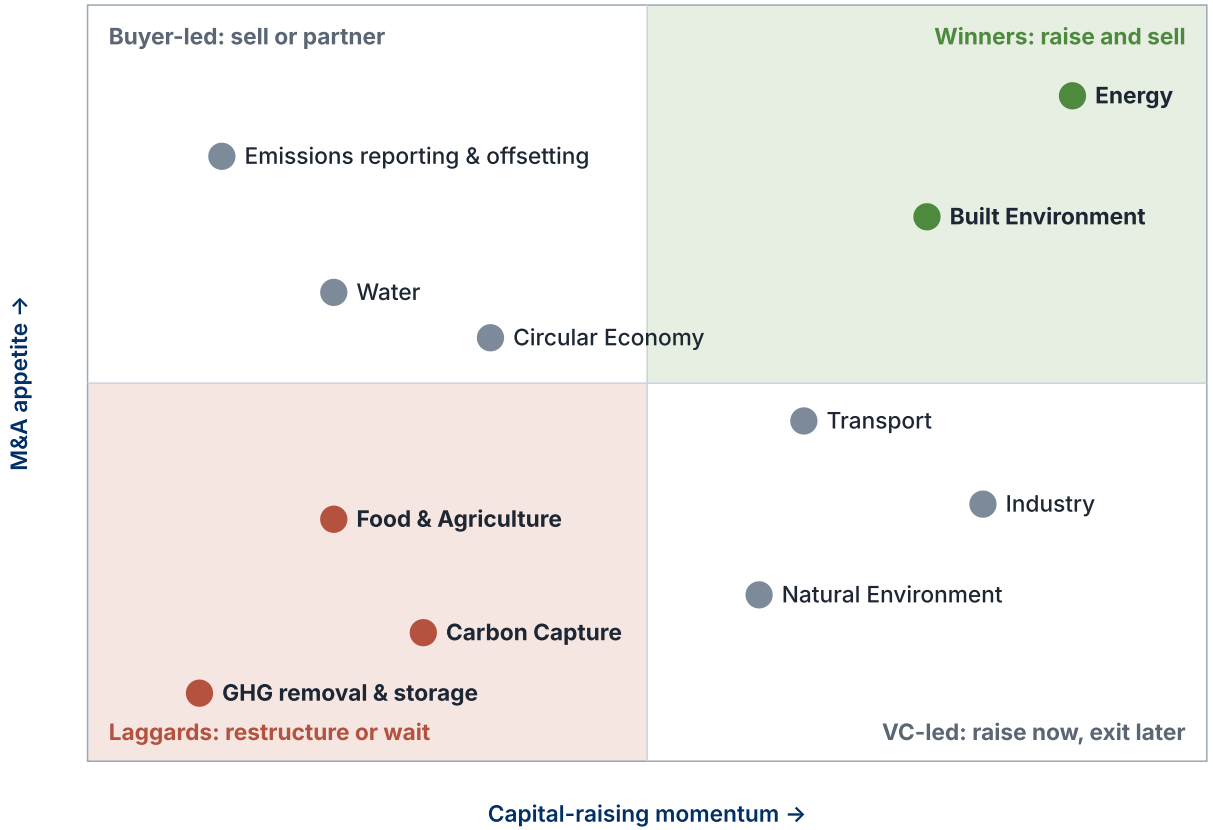


3

The AltRaise Climate Sector Map: winners and losers

Energy and the built environment are the clear winners of 2026: they attract both the largest rounds and the most active buyers. Carbon removal, carbon capture and food & agriculture are the laggards, with falling capital and few exits. The rest split between sectors where buyers lead (reporting, water, circular economy) and sectors where venture leads but exits are still years away (industry, transport, natural environment).

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AltRaise assessment of 11 sectors, based on the 2026 data in sections 1–2

Chart in text: The AltRaise Climate Sector Map places Energy and Built Environment as winners (high capital-raising momentum, high M&A appetite); Emissions control, reporting & offsetting, Water and Circular Economy as buyer-led (high M&A appetite, low capital momentum); Transport, Industry and Natural Environment as VC-led (high capital momentum, low M&A appetite); and Food & Agriculture, Carbon Capture and GHG capture, removal & storage as laggards (low on both).

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Sector	Verdict	Capital-raising signal	M&A signal
Energy	Winner	Firm power, grid, storage and flexibility lead: Kraken $1bn, Cloover $1.2bn, Proxima Fusion $452m	Battery storage deal volume +120% YoY in Q1; utilities and infra funds buying platforms (Alpiq–Harmony, AllianzGI–GESI)
Built Environment	Winner	Largest global vertical in H1 2026, driven by data centres; Low Carbon Materials $1.5bn	Industrials buying grid and building hardware (Lucy Group–Nuventura); PE active in efficiency and HVAC services
Emissions control, reporting & offsetting	Buyer-led	Climate management funding flat (+6% globally); offsetting equity collapsing	Most active tuck-in segment: Greenly–Normative ($74m), Assent–iPoint, Dcycle–ESG-X, Energy Aspects–Kayrros
Water	Buyer-led	Limited venture activity	Utilities and environmental-services groups buy contracted assets and technology
Circular Economy	Buyer-led	Selective venture funding	Waste and materials groups buying recycling and sorting capability
Transport	VC-led	Funding +52% globally in H1; Einride listed via $220m SPAC	Steady small tuck-ins (Swapfiets–Dance, init–Applied Autonomy, Amazon–Rivr)
Industry	VC-led	Megarounds in green steel and materials (Stegra $1.5bn); low-carbon fuels −56%	Hydrogen consolidating around bankable projects (Hy24–Hynamics); few strategic exits otherwise
Natural Environment	VC-led	Earth observation funding tripled (ICEYE $1.1bn Series F)	Few exits; analytics tuck-ins
Food & Agriculture	Laggard	Little new capital in 2026	Selective tuck-ins only (Source.ag–Optimal)
Carbon Capture	Laggard	Carbon vertical −61% in H1	Mostly project-level, policy-driven transactions
GHG capture, removal & storage	Laggard	Carbon removal equity down ~50%	Very few exits; distressed consolidation likely

Placements are AltRaise's judgement. Several capital figures are global, and for water, circular economy and food & agriculture we found no recent European data, so their signals are qualitative. Sources: CTVC[1], Latitude Media[2], Dealroom[3], M&A Community[4], Startups Acquired[5].

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AltRaise perspective

"In 2026 the dividing line is not green versus brown — it is bankable versus speculative. Energy and the built environment win because their customers, from utilities and grid operators to data-centre developers, have urgent and funded demand. Carbon removal and carbon capture are paying the price of relying on policy and voluntary markets that have not yet delivered. In between, reporting, water and circular-economy companies should look to strategic buyers now, while industry, transport and natural-environment players need patient capital before their exits come."

— **Denis Viennot**, Partner and Co-founder, AltRaise

Sector briefs: raising capital and exiting in European climate tech, 2026

Energy (grid, storage, flexibility, firm power) — Winner. Energy is the strongest European climate sector for both fundraising and exits in 2026. Grid technology, battery energy storage (BESS), flexibility software and firm power (fusion, fission, geothermal) attract the largest rounds, such as Kraken Technologies ($1bn), Cloover ($1.2bn) and Proxima Fusion ($452m). Utilities and infrastructure funds are active acquirers: European BESS deal volume rose 120% year on year in Q1 2026, while regulated and contracted assets command premium valuations over merchant renewables.

Built Environment — Winner. Built environment became the largest climate tech vertical globally in H1 2026, driven by low-carbon data centres and AI power demand. In Europe, low-carbon construction materials (Low Carbon Materials, $1.5bn) and building energy efficiency attract capital. Industrial buyers and private equity acquire grid and building hardware, HVAC and energy-services businesses, making exits achievable for companies with recurring revenue.

Emissions control, reporting & offsetting — Buyer-led. Carbon accounting, ESG reporting and emissions data companies find it easier to sell than to raise in 2026. Venture funding for climate management is broadly flat and carbon offsetting equity has collapsed, but CSRD and CBAM compliance demand drives consolidation: Greenly acquired Normative (~$74m), Assent acquired iPoint, Dcycle acquired ESG-X and Energy Aspects acquired Kayrros. Founders should consider a sale or strategic partnership.

Water — Buyer-led. Water technology raises limited venture capital in Europe, but utilities, environmental-services groups and infrastructure investors buy contracted assets and proven treatment, metering and leak-detection technology. Exits favour companies with recurring service revenue and municipal or industrial contracts.

Circular Economy — Buyer-led. Recycling, sorting and materials-recovery companies face selective venture funding, while waste-management and materials groups acquire capability to meet EU circularity rules. A trade sale to a strategic is usually the most realistic exit.

Transport — VC-led. Transport and mobility funding rose 52% globally in H1 2026, and Einride listed via a $220m SPAC, but European exits are mostly small tuck-ins

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(Swapfiets–Dance, init–Applied Autonomy, Amazon–Rivr). Electric freight, charging and logistics software companies should raise to scale before planning an exit.

Industry — VC-led. Industrial decarbonisation attracts megarounds in green steel and materials (Stegra, $1.5bn growth equity), but low-carbon fuels funding fell 56% and hydrogen is consolidating around bankable projects (Hy24–Hynamics). Exits depend on first commercial plants and signed offtake; most companies need patient capital first.

Natural Environment — VC-led. Earth observation and nature monitoring are growing fast, with earth-observation funding tripling in H1 2026 and ICEYE raising a $1.1bn Series F. Exits remain rare and are mostly analytics tuck-ins, so raising remains the priority.

Food & Agriculture — Laggard. Agri-food climate tech attracts little new capital in 2026 and exits are selective tuck-ins (Source.ag–Optimal). Companies should extend runway, focus on unit economics and target strategic partners in food and farming.

Carbon Capture — Laggard. Point-source carbon capture (CCS/CCUS) depends on policy and project finance. Carbon vertical equity funding fell 61% in H1 2026, and transactions are mostly project-level. Exits are hard without long-term offtake or state support.

GHG capture, removal & storage — Laggard. Carbon dioxide removal (CDR), including direct air capture (DAC), suffers from weak voluntary carbon market demand: carbon removal equity funding fell by about half in 2026 and exits are very rare. Expect distressed consolidation; companies should secure offtake or partner with industrial buyers.

Notes

1. CTVC — H1 2026 climate tech funding — www.ctvc.co
2. Latitude Media — How the 2026 climate tech market is shaping up (Jul 2026) — www.latitudemedia.com
3. Dealroom — Climate tech deep dive (updated 12 Oct 2026) — dealroom.co
4. M&A Community — European renewables M&A Q1 2026 — mnacommunity.com
5. Startups Acquired — Top startup acquisitions in Europe 2026 — www.startupsacquired.com

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4

When is the timing right to exit?

The right time to sell is when the market window and company readiness overlap and you still have time to wait. For most European climate tech companies with contracted revenue, that overlap exists now and will likely last through 2027. Companies still pre-commercial should raise, not sell. The framework below is AltRaise's view, based on the market data above and our mandate experience.

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The AltRaise Three-Test Exit Timing Framework: all three must pass

Test 1 — Is the market window open for your segment?

Signal	Window open	Window closing
Strategic deal flow in your niche	3+ comparable deals in the last 18 months; named acquirers building capability	Acquirers announcing write-downs, exits or "back to core"
Policy and revenue support	Stable or rising support (CfDs, capacity markets, CSRD/CBAM demand, MACSE)	Subsidy cuts, retroactive changes, merchant price collapse
Funding for your stage	Late-stage rounds closing at stable or rising valuations	Down rounds and bridge rounds becoming common in your peer group
Buyer balance sheets and financing	Infra funds deploying; private credit available	Rising cost of capital; consortia struggling to close
Secular demand	Clear tailwind (grid congestion, AI power demand, energy security)	Hype cycle peaked; your theme is losing capital (e.g. carbon removal in 2026)

Test 2 — Has the company crossed its value-creating milestone? Valuation steps up when a named risk disappears. Selling just *after* a milestone captures it; selling just *before* gives it to the buyer.

- Technology: first commercial-scale unit operating at spec, with performance data.
- Commercial: multi-year offtake or framework contracts with investment-grade counterparties.
- Infrastructure: grid connection secured, permits granted, ready-to-build or operational.
- Software: repeatable sales motion and an ARR level where the business is visible to strategic buyers.
- Financial: unit economics proven at site or customer level; a path to EBITDA breakeven visible.

Test 3 — Can you afford to walk away? A strong process needs 6–9 months and the credible option to say no. Start preparing with at least 12–18 months of runway. Selling with under 9 months of cash shifts leverage to the buyer and invites structure-heavy offers.

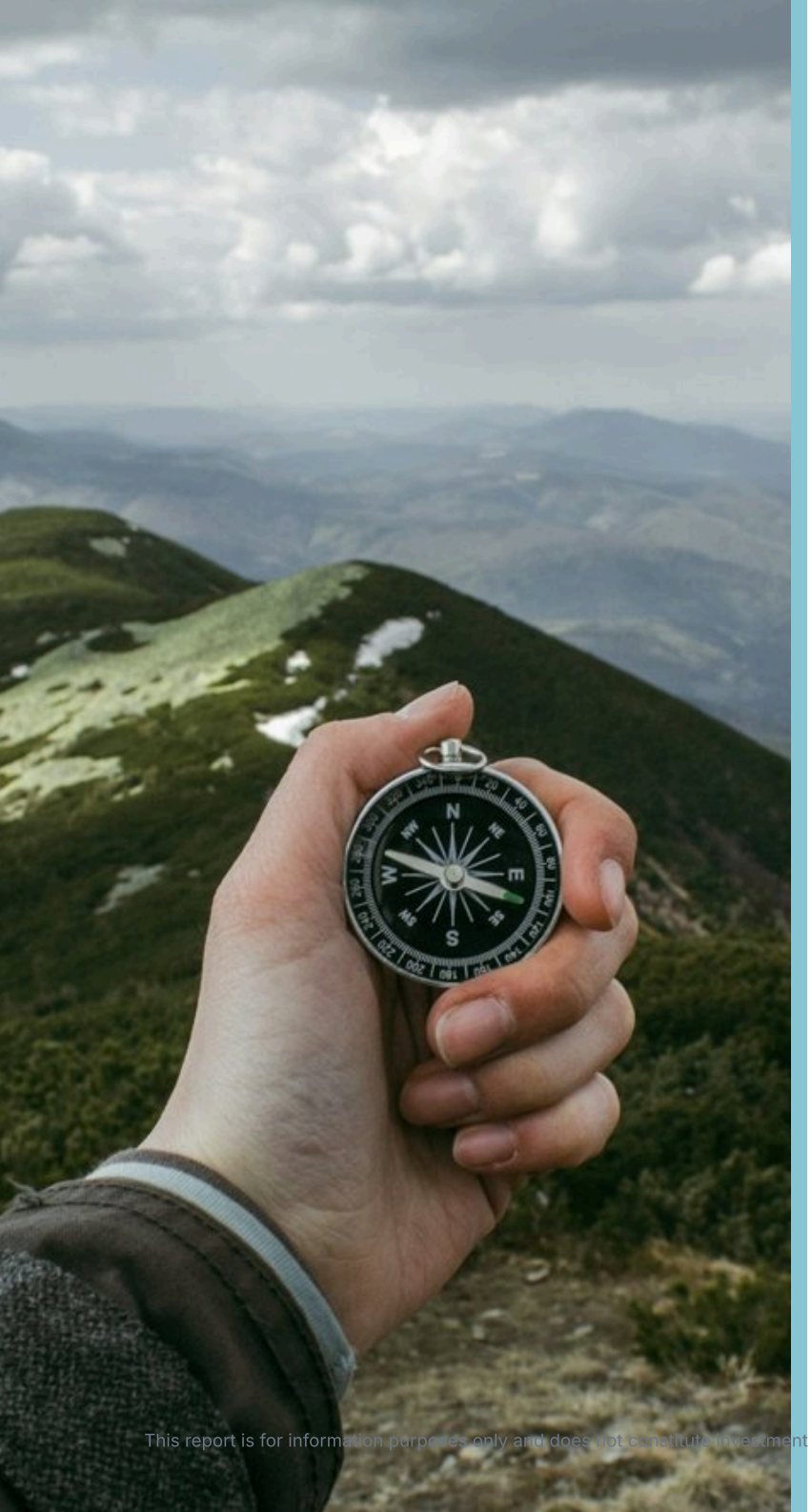
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Reading the three tests together

- **All three pass** → launch a structured sale process or a majority stake sale now.
- **Market open, milestone 6–12 months away** → bridge to the milestone (ideally with a strategic investor), build buyer relationships, then sell.
- **Milestone passed, market closing** → consider a partial sale, minority stake or strategic partnership to crystallise value while protecting upside.
- **Neither passes** → raise, extend runway and focus on de-risking; an exit now would likely be a distressed or acqui-hire outcome.

Other triggers that should prompt the question: an unsolicited approach from a credible buyer (usually a sign of a wider window), investor fund-life pressure (funds in years 7–10), a capital need larger than the current investor base can fund, or a founder succession question.

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5 Key indicators of a successful exit

In 2026, European buyers pay for certainty: revenue that is contracted, technology that is proven, and a business that can be underwritten without heroic assumptions. The AltRaise Exit Readiness Scorecard below lists the ten indicators we see driving price, competition and deal certainty. Thresholds are AltRaise working benchmarks, not market statistics, and vary by sub-sector.

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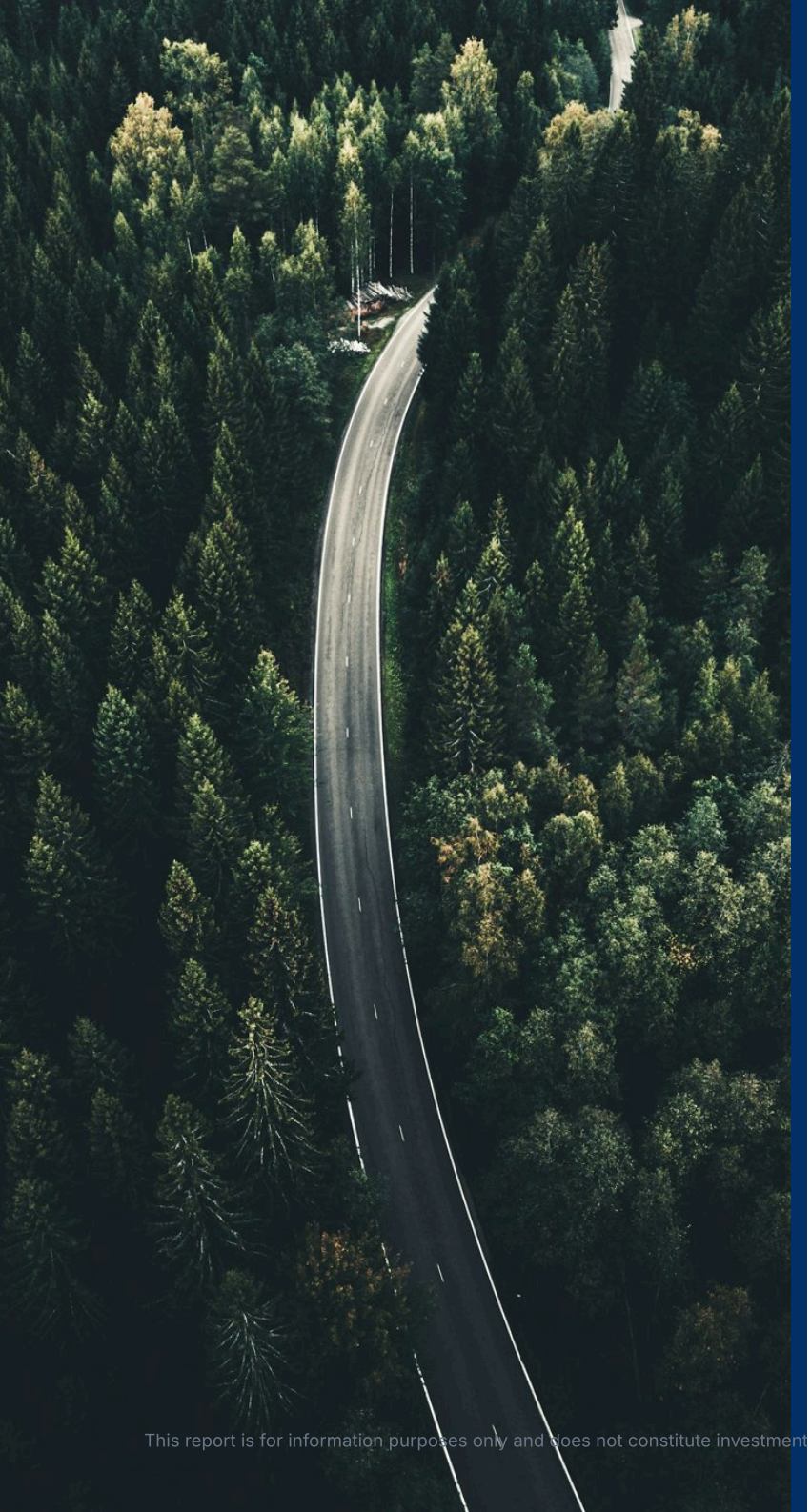
#	Indicator	What "exit-ready" looks like	Why buyers pay for it
1	Revenue quality	Majority of revenue contracted or recurring; multi-year offtake, PPA, tolling or SaaS contracts	Contracted cash flows command premium pricing; merchant exposure is discounted
2	Counterparty strength	Investment-grade or strategic customers for whom the offering is mission-critical; low concentration (no customer above ~25% of revenue)	Lowers credit risk and supports acquisition financing
3	Technology proof	Commercial-scale deployment with 12+ months of operating data	Removes the risk buyers will not pay for
4	Unit economics	Positive gross margin at site/customer level; visible path to EBITDA breakeven	Lets buyers value on fundamentals, not on a story
5	Growth with efficiency	Strong growth with improving burn multiple; for software, net revenue retention above ~110%	Signals a scalable model and justifies a growth premium
6	Strategic fit and scarcity	Clear fit with 3+ named acquirers; few comparable targets in Europe	Competitive tension is the main driver of price
7	Regulatory tailwind	Revenue linked to binding policy (CSRD, CBAM, EU ETS, grid codes, capacity markets)	Durable demand, independent of subsidy cycles
8	Assets and IP	Grid connections, permits, pipeline at RTB/operational stage; defensible patents; for software, defensibility in the age of AI (proprietary data, deep integration into customer workflows)	Scarce assets, especially grid access, now carry premium value
9	Team and governance	Management willing to stay through integration; audited accounts; clean cap table	Reduces integration risk; avoids price chips in diligence
10	Deal readiness	Data room, vendor due diligence, clean data and KPIs, credible integration plan	Speeds execution and defends valuation; reduces earn-out demands

Warning signs that destroy value in a process

- Volatile revenue with limited visibility, such as merchant-only power sales exposed to negative prices or curtailment.
- A single anchor customer or reliance on one subsidy scheme.
- Bridge rounds or under 9 months of runway when the process starts.
- Unresolved IP, grant claw-back clauses (EU or national) or change-of-control restrictions in key contracts.
- Inconsistent KPIs between management accounts, investor reports and the data room.

Where several indicators are weak, sellers should expect structure in place of price: earn-outs tied to milestones, deferred consideration, or a minority stake with a path to control.

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6 Implications for founders and growth investors

What the 2026–27 market means in practice: how founders should plan, raise and sell, how growth investors should underwrite exits, and the indicators to watch in 2027.

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For founders

- **Plan your exit when you raise.** Pick the milestone that will make the company sellable, and size the round to reach it with 12 months to spare.
- **Know your buyer universe early.** Map 15–20 potential acquirers by type (utility, infra fund, industrial, software consolidator, PE) early, ideally with an adviser who already knows them, so a process starts with credible buyers in the room.
- **Convert revenue into contracts.** Every move from merchant or pilot revenue to multi-year contracts adds more to exit value than extra top-line growth.
- **Run a competitive process.** In a K-shaped market, bilateral deals with a single strategic leave value on the table; tension between strategics and financial buyers sets the price.

For growth investors

- **Underwrite the exit route, not just the growth plan.** In Europe, assume M\&A; an IPO is upside, not a base case.
- **Back the missing middle selectively.** Series A–B in grid, flexibility, storage and industrial decarbonisation offers the best entry prices relative to strategic demand.
- **Watch fund-life timing.** Many 2019–21 vintage portfolios will need liquidity in 2026–28; partial secondaries and minority sales to infra funds are useful tools.

AltRaise perspective. We expect European climate M&A to stay buyer-selective through 2027: strong competition for de-risked platforms in grid, storage, flexibility and compliance software, and a growing pool of distressed or structured deals in carbon, fuels and merchant renewables. Companies that prepare 12–18 months ahead, and sell just after a key milestone, will capture most of the value.

What to watch in 2027

Five indicators will tell us whether the window stays open. Each is worth checking before launching a process.

Indicator	Where it stands (Oct 2026)	Warning sign for the window
Cost of capital	ECB held its deposit rate at 2.50% on 29 Oct 2026, citing rising energy prices and tighter financing conditions[1]	Rate rises or wider credit spreads, which compress valuations and private-credit availability for buyers
Industrial policy	Industrial Accelerator Act proposed 4 Mar 2026: "Made in Europe" and low-carbon requirements for publicly funded projects, faster permitting[2]	Dilution or delay in Parliament and Council, weakening demand for European clean-tech suppliers
Carbon pricing	2040 target of −90% is law; ETS2 for buildings and road fuels delayed to 1 Jan 2028, with auctions from 2027[3]	Further delays, which cut compliance-driven demand for efficiency, reporting and low-carbon materials
Exit activity	78 climate tech exits globally in Q3 2026, down from 99 in Q2; M&A ~78% of exits[4]	Two more quarters of falling exit counts, or a rising share of undisclosed and distressed deals
AI power demand	Low-carbon data centres took 34% of global climate VC in H1 2026[5]	A pullback in data-centre capex, which would hit today's winners in energy and the built environment first

Notes

1. ECB — Monetary policy decisions, 29 Oct 2026 — www.ecb.europa.eu
2. Clean Energy Wire — Q&A: Clean Industrial Deal and Industrial Accelerator Act — www.cleanenergywire.org
3. ICAP — EU reaches agreement on 2040 climate target, postpones ETS2 by one year — icapcarbonaction.com
4. Net Zero Insights via SustainabilityOnline — Q3 2026 climate tech funding — sustainabilityonline.net
5. CTVC — H1 2026 climate tech funding — www.ctvc.co

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Frequently asked questions

When is the right time to sell a climate tech company?

According to the AltRaise Three-Test Exit Timing Framework, the right time is when three conditions hold at once: buyers in your segment are active (several comparable deals in the last 18 months), the company has just crossed a value-creating milestone (commercial deployment, signed offtake, grid connection or an ARR threshold), and it has 12–18 months of runway so it never has to sell under pressure.

Which climate tech sectors are raising capital in Europe in 2026?

Energy (grid, battery storage, flexibility and firm power), the built environment (low-carbon data centres and materials), industrial decarbonisation such as green steel, and earth observation attract the most capital. Carbon removal, carbon markets and low-carbon fuels are raising far less than in 2025.

What do buyers look for when acquiring a climate tech company?

The AltRaise Exit Readiness Scorecard identifies ten indicators. The most important are contracted or recurring revenue, creditworthy customers, technology proven at commercial scale, a path to profitability, strategic fit with several named acquirers, and scarce assets such as grid connections, permits or proprietary data.

Is M&A or an IPO the better exit route for European climate tech?

M&A. About 78% of climate tech exits in Q3 2026 were acquisitions. Europe saw almost no climate IPOs in 2026, and recent US climate listings trade 35–40% below their issue price.

Who buys climate tech companies in Europe?

Utilities and energy majors, infrastructure funds, industrial groups, climate software consolidators and private equity. Infrastructure funds hold the largest pools of capital, with European climate funds closing $56bn in 2025.

Is now a good time to sell a battery storage or grid technology business?

For companies with contracted revenue or operational assets, yes: European BESS deal volume rose 120% year on year in Q1 2026, and grid assets are rising in value as networks become bottlenecks. Merchant-only assets face longer processes and lower prices.

Can carbon removal and carbon capture companies still raise or exit?

It is difficult in 2026. Carbon vertical equity funding fell about 61% in H1 2026 and exits are rare. Companies should prioritise long-term offtake, strategic partners and runway, and expect consolidation.

How long does a climate tech sale process take?

A well-run process typically takes 6–9 months. AltRaise recommends starting preparation 12–18 months ahead, with a data room, vendor due diligence and a mapped list of 15–20 potential acquirers.

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Contacts

AltRaise is a Paris-based independent investment bank advising on climate tech, energy transition and sustainability-focused M&A and capital raising across Europe.

About the authors

Driss Sefrioui has 25 years' experience in M&A advisory and Capital Raising. Driss has led a broad range of assignments including mergers, acquisitions, equity and debt financings, leveraged buyout transactions and restructurings involving many of Europe's leading companies. He advised on more than 50 transactions representing an aggregate value of more than €70 billion. Before co-founding AltRaise, Driss was a Managing Director at Perella Weinberg Partners in London where he focused on advisory for Industrial, Consumer / Retail and Energy sectors. Prior to joining Perella Weinberg Partners, Driss was a Director at Credit Suisse Investment Banking in Paris advising corporate clients and financial institutions in the Industrial and Energy sectors. Driss started his career at Lazard in Paris. He graduated from ESSEC Business School.

Denis Viennot has 25 years' experience in International Development Finance, Corporate Finance and Project Finance, including as an entrepreneur. Before co-founding AltRaise, Denis was a Principal in the Energy Efficiency & Climate Change team at the European Bank for Reconstruction & Development, where he was notably in charge of developing clean energy programs in the MENA region. Prior to joining the EBRD, Denis was a Director with GE Capital's Capital Markets group in London, where he focused on leveraged buyouts and project finance. He then went on to co-found, with former GE Capital colleagues, the ReEnergise Group, a UK-based energy finance and services provider, which received funding by the GIB and SDCL. Denis began his career in M&A at UBS Warburg. He graduated from ESSEC Business School.

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Sources and methodology

Figures are from third-party reports with different scopes (equity only vs. equity plus debt and grants; Europe vs. EMEA vs. global), so totals are directional. Amounts are in US dollars unless stated. The sector map (section 3), sections 4 and 5 and the AltRaise perspective in section 6 are AltRaise analysis.

- PitchBook — Fewer deals, bigger bets as Europe leads VC funding for climate tech
- Dealroom — Climate tech deep dive (updated 12 Oct 2026)
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- Innovation Zero — Fewer deals, bigger bets: climate tech in autumn 2026
- Impact Loop — European climate tech funding H1 2026
- PwC — Global M&A trends in energy, utilities and resources: 2026 mid-year outlook
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