Insights: Publications

Key Takeaways | Cleantech Opportunities in Data Centers

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Kilpatrick's **Dr. Siegmar Pohl** and **John Pierce** recently presented at **"Cleantech Opportunities in Data Centers,"** a Firm event with Cl**eantech Open** in San Francisco. Siegmar discussed what to look out for in cleantech venture finance deals and term sheets. John covered opportunities for cleantech companies in the energy mix going into data centers, grid connection issues and behind the fence strategies for Solar, BESS, and new battery chemistries.

The takeaways from their presentations include:

1. Cleantech Venture Finance and Term Sheets

In term sheets for early financing rounds, cleantech startups should pay close attention to key economic terms, such as pre- and post-money valuations and effective valuations after calculating the required option pool sizes. It is important to understand what the market is when it comes to multiples in participating and non-participating liquidation preferences, dividends, and pro-rata rights. Founders should not give up board control in the Seed or Series A stage and carefully review stockholder veto rights that encroach on day-to-day management and other protective provisions. They should pay close attention to avoid assigning more IP rights to the company than are needed for the business plan.

2. Clean Technology Opportunities in Data Center Developments

The rapid expansion of large data center developments in the US and elsewhere is causing concerns regarding impacts on consumers for the energy they use, impacts on the power transmission infrastructure we all rely on, the potential environmental impacts of the massive expansion of energy use by such data centers, water usage for cooling, and the preference for natural gas where renewable energy cannot be procured. There are a few clear opportunities for Clean Tech companies and investors that invest in them. These include:

a. Carbon Mitigation Technologies. These technologies can include carbon capture for utilization or sequestration. These technologies could be applied to capture, storage, and ultimate disposition (utilized in some fashion or sequestered where that is economic and viable) and help mitigate the environmental impacts of using fossil fuels to generate the power necessary for large data centers (often 1GW+ of firm power).

b. Grid Technologies. This recent increase in demand for energy is placing great stresses on the existing

grid infrastructure. To address such stresses, there are opportunities for Clean Technology companies that address micro and macro grid requirements (particularly those that address behind-the-meter projects), battery energy storage systems (BESS) that can address grid management (such as grid balancing), and the application of rapid-start power generation equipment that manages startup and short-duration power losses.

c. Cooling Systems. Water usage and the recovery of water are areas of great public concern. The use of closed-loop cooling systems encourages cooling water reuse whether in data centers or the power generating units that power them. Where freshwater availability is limited, the use of saline/salty water may be used once cleaned and can be reused.

For more information, please contact:
Dr. Siegmar Pohl: spohl@ktslaw.com
John Pierce: jfpierce@ktslaw.com

Related People



Dr. Siegmar Pohl

t 415.273.4357
spohl@ktslaw.com



John F. Pierce

t 206.626.7726
jfpierce@ktslaw.com