

# Department of Energy Advanced Research Projects Agency-Energy (ARPA-E) Will Exercise Its Authority to Issue Small Business Innovation Research (SBIR) Grants to Venture Capital Majority-Owned Small Businesses

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On August 29, 2013 the Advanced Research Projects Agency-Energy (ARPA-E) made another move to increase the amount of funding accessible for the development of alternative and more efficient energy sources by extending the availability of [Small Business Innovation Research](#) (SBIR) funding to venture capital majority-owned small businesses. Under the authority of Section 5107 of the SBIR/STTR Reauthorization Act of 2011, [15 U.S.C. § 638\(dd\)](#), the Secretary of Energy can allocate up to 25% of the available SBIR funds for the Department of Energy (DOE) to **“small business concerns that are owned in majority part by multiple venture capital operating companies, hedge funds, or private equity firms through competitive...procedures.”**

To this end, Cheryl Martin, Deputy Director of ARPA-E, notified Sam Graves (R-MO), chairman of the House Committee on Small Business, that the agency will issue SBIR grants to small businesses that are majority-owned by venture capital companies, hedge funds or private equity firms. The SBIR is a competitive award program that enables highly qualified companies to explore their technological potential within the U.S. R&D arena and provides incentives for those companies to move more quickly to commercialization.

SBIR grants play an important role in helping [ARPA-E achieve its goals](#), which include:

1. reducing the United States' dependence on energy imports;
2. reducing emissions from U.S. energy sources;
3. improving energy efficiency; and
4. ensuring that the U.S. “maintains a technological lead in developing and deploying advanced energy technologies.”

Based on these goals, Ms. Martin determined that making SBIR awards available to venture capital

majority-owned small businesses would not contradict ARPA-E's missions.

Awarding SBIR funds to venture capital majority-owned small businesses, according to the letter, can address a "demonstrated need for public research in advanced energy technologies." Overall, venture capital funding has [decreased in the energy sector](#) with VC investments in clean technologies only totaling \$369 million in the first quarter of FY2013, a 61% drop from a year before. This has forced small businesses to turn to multiple sources for private funding. Many small business concerns will therefore be majority-owned by multiple investment companies or multiple types of investment companies, but Ms. Martin feels that this does not preclude the need for ARPA-E SBIR funding for these types of businesses.

Finally, Ms. Martin noted that doing so will induce additional venture capital, hedge fund, or private equity investment in these small business energy innovations. Because ARPA-E supports the pursuit of technological innovations that the private sector often finds too risky, its funding of [small business concerns](#) (defined as businesses that are independently owned and operated and not dominant in their field) de-risks those technologies and entices additional private-sector investment. The SBIR awards will also contribute to ARPA-E's mission by helping small businesses attract more private investors, which in turn increases business opportunities and assists in pushing the company's technology to the next generation.

In sum, ARPA-E found that providing SBIR awards to small business concerns that are majority owned by multiple venture capital operating companies, hedge funds, or private equity funds will bring about more private investment for the energy companies, contribute to the agency's mission, address a need for public research, and fulfill the capital needs of small business concerns for additional financing for SBIR projects.

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