

# The role of Small and Medium Enterprises in the transition to Net Zero

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# Today's agenda

1. **An introduction to the CCC**
2. **What are the UK Commitments to reducing emissions?**
3. **Why a focus on SMEs?**
4. **Research with Energy Saving Trust**

# The Climate Change Committee (CCC)

- **An independent statutory body established under the Climate Change Act (2008)**
- **Purpose:**
  - Advise the UK and devolved governments on emissions targets
  - Annually report to parliament on the progress the UK has made in reducing greenhouse gas emissions and adapting to the impacts of climate change
    - 2022 Progress Report released in June

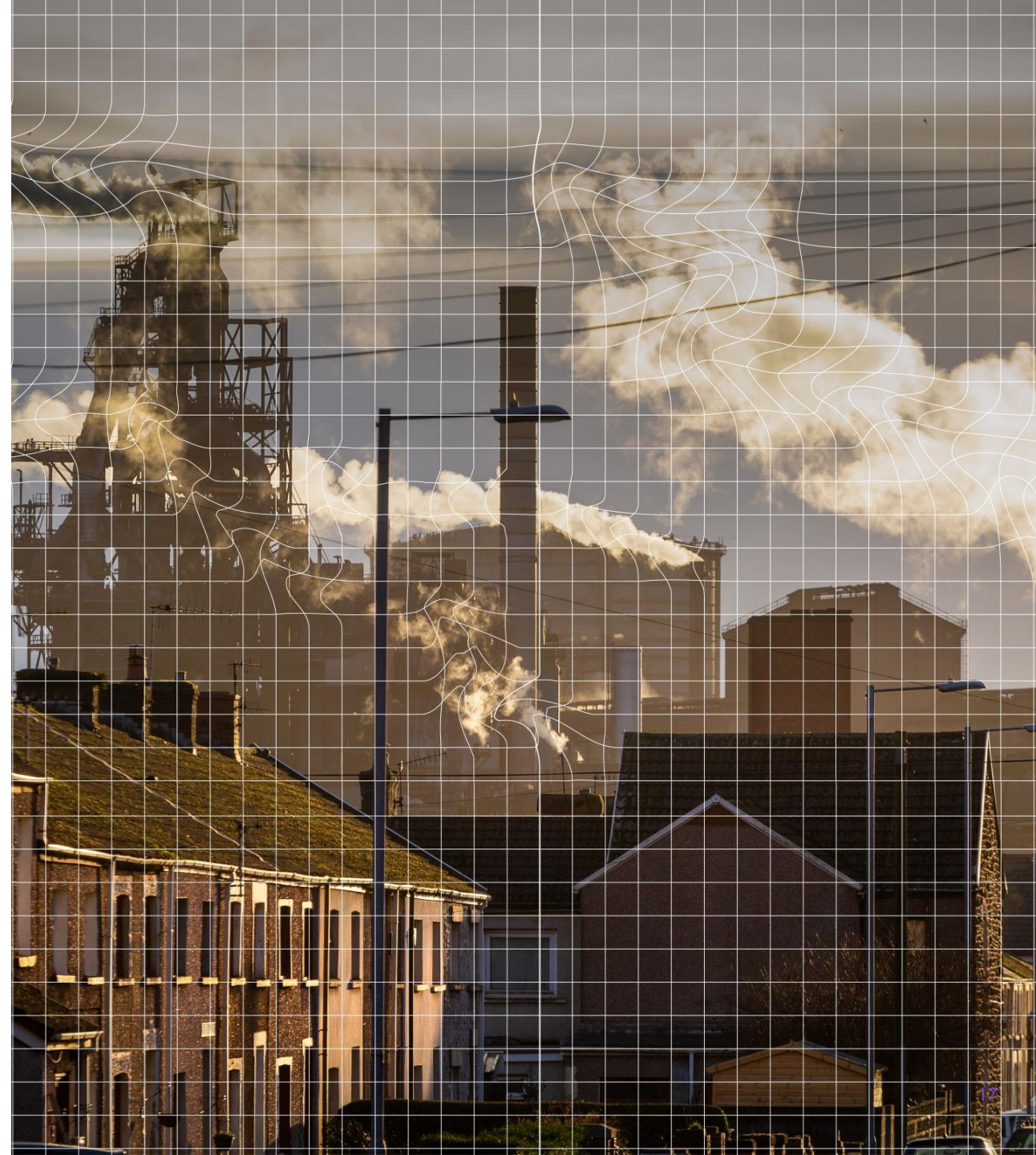


# What are the UK Commitments to reducing emissions?

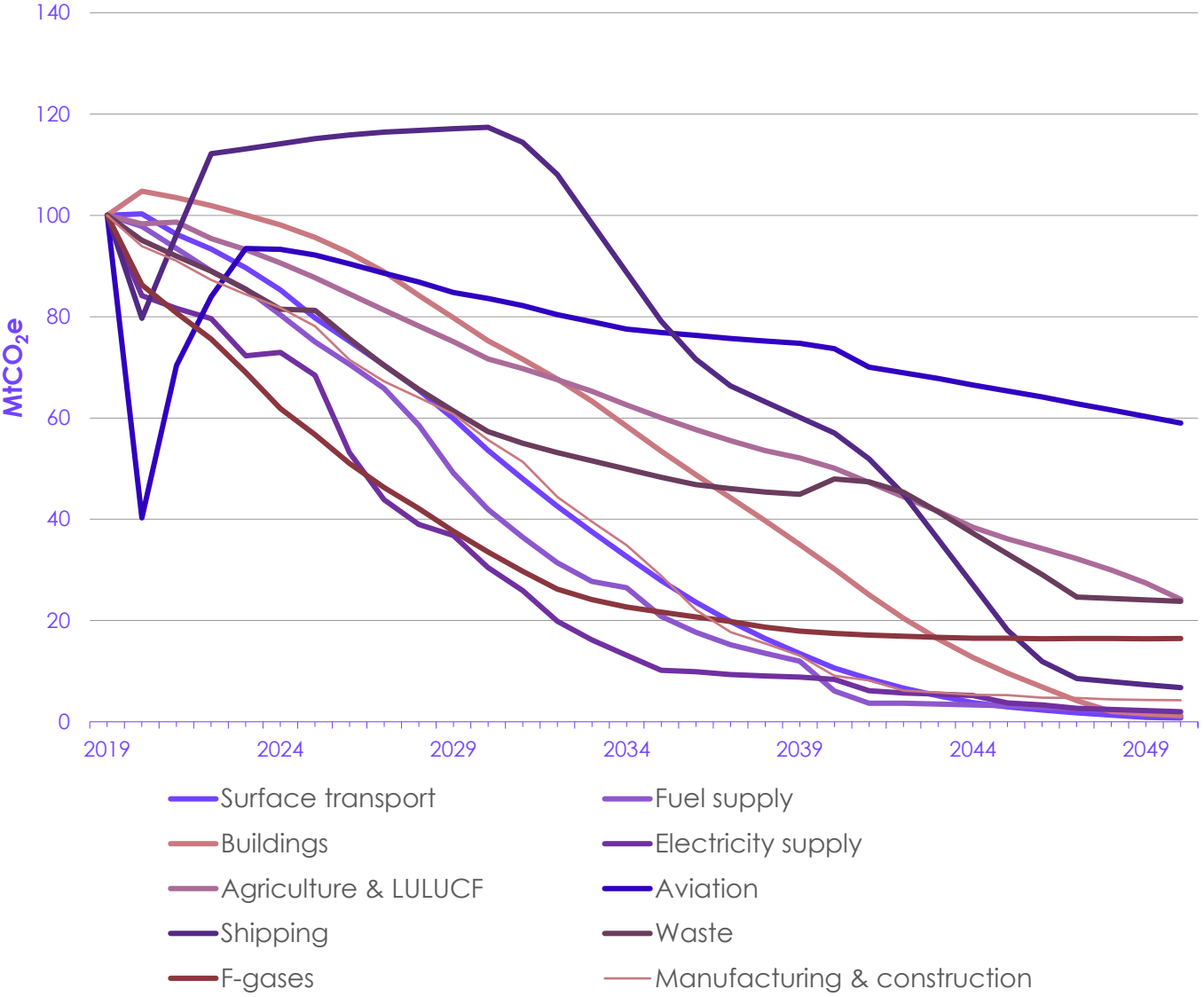
# What does the UK have to do to reach **Net Zero by 2050**?

## Overall targets include:

- Reaching Net Zero by 2050 (a legally binding emissions target)
- 78% reduction in emissions by 2035 (set out and recommended by the **CCC** in 2020, **set in UK law in 2021**)
- This means **all actors in the UK economy** must reduce their emissions so that the UK is **Net Zero by 2050**, including the individuals, the public sector, businesses (large and SMEs)



# Fast pace of emissions reduction is required for **all sectors**

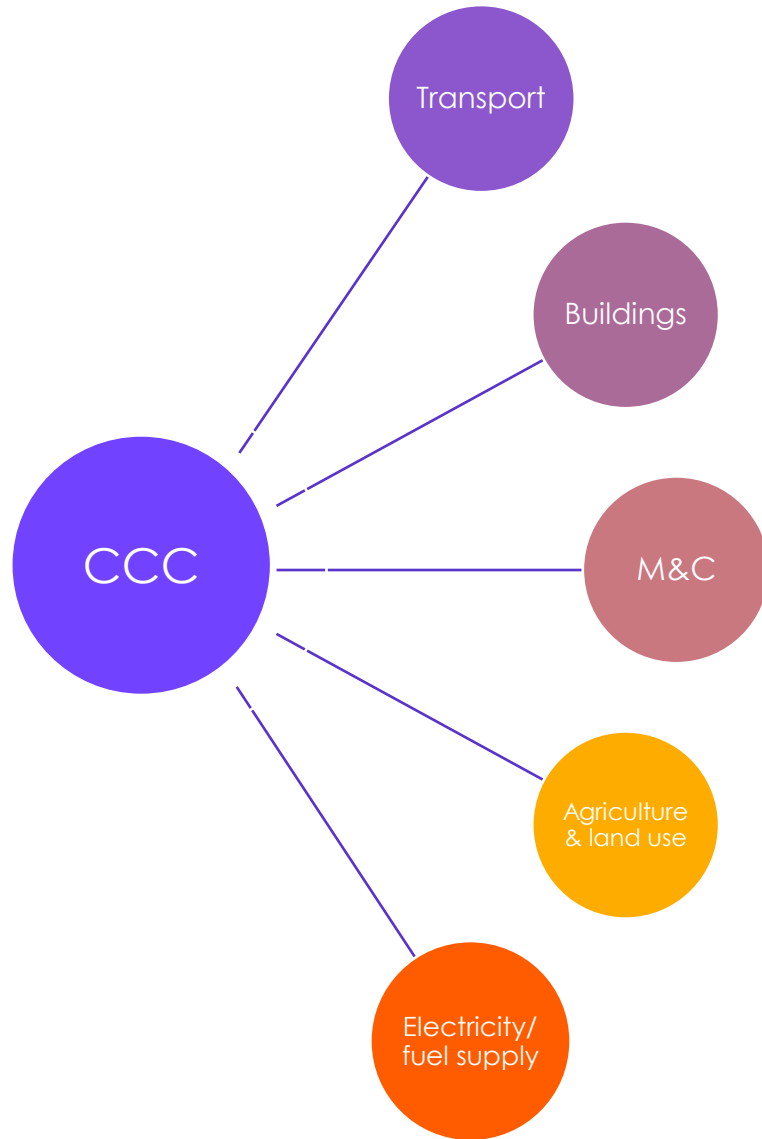


The Government is shifting from **planning** to **delivery** mode and are releasing strategies to deliver the emissions reductions required to meet its emissions targets in the next 10 years.

Engaged with SMEs in the run up to COP26 (SME Climate Hub, UK Net Zero Business Champion etc.)

# Why a focus on SMEs?

# The Climate Change Committee (CCC) - mitigation



Cross-cutting themes:

- **Business and finance**
- Workers and skills
- Governance
- Public Engagement and choices
- Fair funding and affordability
- Innovation and infrastructure
- Trade



## Why the focus on SMEs?

To date, CCC's work on business has mainly focussed on **large corporates**

Have previously identified business action as a **key driver of progress in reaching net zero**

- SMEs account for **43-53%** of UK business emissions
- Could correspond to as much as **36%** of total UK emissions

Plans to publish (winter 2022/23) a **SME-focussed Business Brief** that will:

- Translate actions required from SMEs to meet Government emissions targets
- assess the role of business in delivering Net Zero
- advise Government on policy

### Government

Targets and policies

### Large corporates

Respond to policies (funding, guidance, legislation) for all 3 emissions scopes

### SMEs

SMEs often sit in large corporations scope 3 emissions and are influenced by Government and large corporates

### Consumers

Government, large corporates, SMEs all have a role influencing commercial and private consumers

# Research on SMEs with Energy Saving Trust

## Existing advice from the CCC to Government on SMEs

- Due to size and resource constraints, **SMEs are less likely to be fully aware of the UK's net zero agenda** compared to large corporations.
- They **may not respond to higher energy prices or carbon pricing in rational ways**
- **Less likely to have access to the financing** required to make net-zero-consistent investments.
- Often operate in **sectors with limited exposure to energy or carbon prices and less international competition.**
- Are more likely to **pass the marginally higher prices to consumers.**
- Treat more like **individuals**, accepting their cognitive and behavioural limitations



Before advising Government on the role of businesses, we wanted to strengthen our evidence on:

- Enablers
- Regulations
- Incentives

Required for SMEs to take actions to ensure they meet the Sixth Carbon Budget pathway

## Aims of the research

1. Identify 4 key SME sectors to understand key barriers to action and test policy options
  - Found that previous evidence focussed on high engagement SMEs that are already taking action
  - Asked EST to focus on low engagement, high emission sectors
2. Map existing policies and funding aiming to support SMEs' role in the UK transition and identify policy gaps
3. Identify policy gaps and how existing policies can be strengthened

