energy saving trust

SMEs and the decarbonisation challenge

Depth interviews conducted by Purple Market Research

Trevor Wilkinson

Research methodology

- 24 one-on-one telephone depth interviews were conducted across the priority sectors.
- Companies were drawn from business databases e.g. Dun & Bradstreet.
- Interviews conducted by Purple Market Research in April / May 2022.
- The most appropriate person in each company identified and recruited - generally owner-managers or self employed.
- Recruited respondents were emailed a sector-specific scenario on challenges and support options relating to the reduction of emissions.
- The key topics covered in the interviews were:
  - Context and opportunities for energy saving / emissions reduction (building, energy usage, vehicles, etc.);
  - Awareness of government targets and attitudes towards net zero carbon;
  - Actions taken to reduce energy use / emissions;
  - Drivers and barriers.

Segment	Interviews conducted
Self-employed tradespeople - electricians & plumbers	6
Restaurants with 5-49 employees	6
Horticulture businesses with 5-49 employees	6
Manufacturers of apparel with 10-250 employees	6
Total	**24**

Horticulture

BARRIERS

- Lack of capital to invest in major steps, such as upgrading buildings and switching to electric vehicles
- Lack of urgency in some businesses in this sector, with the preference for using existing equipment or vehicles and upgrading later
- Some concern that emissions-reduction legislation and support available may not take into account features of the sector e.g. land use.

OPPORTUNITIES

- Widest range of different decarbonisation opportunities.
- Tend to own their premises so can improve the energy efficiency of the building fabric and introduce renewables
- Often use multiple vehicles
- Inputs (e.g. fertilizer and growing media) are an important consideration as is waste reduction and recycling and choice of crops
- For some crops there are new lower carbon growing technologies using stacked growing and LEDs

We know that changes are coming and we want to do the right thing, but alternatives are not there, such as growing media, or the infrastructure is not there, such as for electric vehicle charging, or the things we need to do are too expensive.

Manufacturers of apparel

BARRIERS

- Supply chain not always under their control.
- Usually do *not* own their premises so control over refurbishing buildings/ heating is limited.
- Nor do they tend to run their own vehicles.
- Industrial machinery can be a significant area of potential energy/carbon saving through this too may be leased.
- Replacing industrial machinery is also expensive.
- There is a tendency to procrastinate over major measures.

OPPORTUNITIES

- SMEs in this sector do see waste reduction and reducing embodied carbon of supplies as opportunities and some have taken action in this area.
- Some manufacturers use sustainability as a key component of their product offer.

We don't own the building and don't run our own vehicles....what else can we do?

We will look at upgrading our equipment or using an electric vehicle, but that is something for the future, not for now.

We already try and do our bit regarding recycling. We have a company that picks up left over materials and wrapping and recycles it. We also try to source materials locally ...

Restaurants

BARRIERS

- Unlikely to own their business premises.
- Tend not to run their own vehicles.
- Cost of energy efficiency measures and a reluctance/ inability to borrow money.
- Focus on remaining in business - many struggling to recover from the impact of the Covid-19 pandemic.
- Owners and managers tend to be short of time.

OPPORTUNITIES

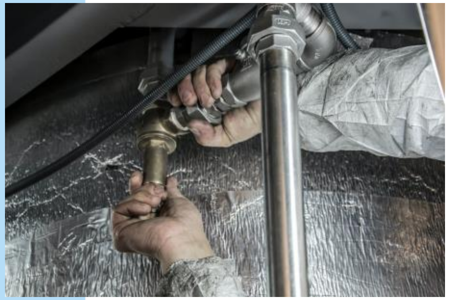
- View waste reduction and recycling as very relevant to their operations
- Sustainability often a point of differentiation
- Some are already participating in auditing and labelling programmes
- Recognition that measuring improvement and demonstrating to customers that improvement is taking place, requires a baseline to be set (energy and carbon audits)

Events have conspired against us: Covid, Brexit, local authority rules, a lack of skilled staff, rising costs of products sourced and of labour, the rising cost of living among the public. There is increasing competition from low-price chains.

Due to not owning the building it would not be possible to install solar panels. I would very much like to do this but that would be down to the property owner.

(Recycling) would give us a competitive edge. Customers are for recycling so would be an incentive for them to be our customers. Something in the window to show we are into energy saving and it would demonstrate our commitment.

Tradespeople



BARRIERS

- Unlikely to have business premises at all
- Most have business vehicles/ use a van for work
- Many are sceptical about government programmes
- View opportunities to reduce carbon emissions as limited to their vehicle
- Tend to be time poor and cash poor

OPPORTUNITIES

- Some interest in switching to electric vehicles but there are concerns about the upfront cost
- Tradespeople, notably plumbers and heating engineers, have potential to be influential in terms of advising consumers and other businesses about their heating systems and wider potential for low carbon systems.
- However, few installers currently see the urgency of this opportunity.

I just run one diesel van and that's probably the one thing I could change to reduce my (carbon) footprint. I work from home and my van. I buy materials as I need them, mainly online. I do a bit of recycling of leftover materials, like metal and cardboard packaging. Otherwise my job doesn't produce a lot of emissions.

I have considered switching from my diesel van to an electric one, yes absolutely. The problem is the upfront cost…That's a huge stumbling block.

Key common challenges & focus for policy development

FINANCE

- Finance is cited across all sectors as a key challenge.
- SMEs are often cash-poor and reluctant / unable to borrow, particularly if they are repaying Covid-related debt.

INFORMATION & ADVICE

- In terms of information and advice needs, particularly for more complex sectors, there can be confusion about the next steps.
- In other sectors, SMEs might feel that they already know the answer: that there is little they can do.
- Understanding – or perceived understanding of government regulatory frameworks is mixed, though SMEs generally know they will need to act.

SHORTAGE OF TIME

- Allocating time and resources to decarbonisation is a key challenge is a widely-reported issue, with SMEs consistently stating they are time poor and find it difficult to make time to negotiate access to information or guidance.

NON-OWNERSHIP

- Leasing of buildings, vehicles and equipment is repeatedly cited as a reason for lack of control over emissions.
- This is not always a total barrier, particularly in buildings where SMEs have good relations with landlords and plan to stay long term.

NON-PRIORITY

- Often there are other priorities, notably keeping the business running – particularly in the restaurant sector – given recent economic shocks.
- The inclination is often to make do with current equipment / vehicles and make energy efficiency changes at a later time.