



Decarbonising SMEs BRIEFING

Councillor briefing: helping small businesses to decarbonise

Summary

- **Ninety-nine percent of UK businesses are classed as a small or medium-sized business (SME).** The UK's 5.5 million SMEs add £1 trillion to the UK economy annually and employ nearly 13 million people. SMEs include micro-businesses (less than 10 employees), small businesses (less than 50 employees), and medium-sized businesses (less than 250 employees).
- **Small business participation will be crucial to hitting our 2050 net zero target.** They consume about 50% of commercial and industrial energy, and contribute nearly 50% of UK business greenhouse gas emissions. Despite this, only 11% measure their carbon footprint, and only 13% have set emissions reductions targets.
- **Councils are well-placed to help SMEs learn how to measure, report, and cut their emissions.** Councils' position of trust in the local community, links to businesses, and responsibility for local infrastructure puts you in a prime position to act as a liaison point for small businesses in your area. One in four SMEs say that more support from their local council or local enterprise partnership (LEP) would encourage them to become more energy efficient.

Context

- **Cutting carbon could help to save the British high street.** A record number of small independent businesses are closing due to inflation and high energy costs making them unable to compete with online retailers. A thriving small business sector is critical to fostering a sense of community and local pride. Helping businesses to cut energy costs and stay resilient by decarbonising will help to preserve their positive impact on local communities.
- **Emissions reduction can help local businesses to cut their operating costs by lowering their energy bills.** SMEs have seen their bills rise on average by over 250% due to the energy bills crisis. Installing insulation, smart meters, and energy-efficient lighting and heating systems could cut their costs by as much as a quarter.
- **Understanding and tackling emissions will help small businesses remain competitive as the economy decarbonises.** SMEs are encouraged but not legally required to report and reduce their emissions due to their size, but will need to do so to continue supplying products and services to their customers. Carbon reporting requirements for larger companies are already trickling down to cover the SMEs that supply them. There's also growing evidence that customers want to make more sustainable choices.

- SMEs **recognise the importance of decarbonisation, but 9 out of 10 say they lack the knowledge, time, resources, and cash flow to undertake it.** The **majority** have completed small steps to reduce energy waste, or have switched to a renewable energy tariff. However, **some find it difficult** to measure and report their impact on the environment; without their emissions data, they will struggle to set targets and measure progress.

What your council can do

- **Energy efficiency assessments:** You can offer free assessments from trusted companies to identify areas of energy waste and recommend improvements. These could be used to assess eligibility for grants to install LED lighting, insulation, or a heat pump, as well as to help SMEs start collecting data on their emissions to share with customers.
- **Grants:** You can provide funding for SMEs to install energy efficiency and renewable energy measures on their premises. This could be tied to a requirement to get an energy efficiency assessment done first to incentivise uptake. This will especially help to address the cash flow concern cited by SMEs as a barrier to undertaking installations.
- **Training:** You can provide businesses with carbon literacy training to help them understand the causes and impacts of their emissions, gain a useful accreditation, as well as explain the benefits of reducing their carbon footprint.
- **Provide opportunities to network and share information:** You can provide a forum (such as a networking breakfast or a webinar) to raise awareness of the importance of environmental action. Councils could also support businesses to engage with local universities and colleges to find opportunities to collaborate on decarbonisation.
- **Partnerships:** Councils can partner with external organisations to give advice to smaller businesses on decarbonising their operations and support them to develop a sustainability or carbon reduction strategy.

Conservative Case Studies

- **Worcestershire County Council's** Business Energy Efficiency Programme offered free assessments and grants between £1,000 and £20,000 for local businesses to improve their environmental impact and reduce energy costs. Over 420 grants totalling £2.9 million helped over 830 businesses to review their energy use, facilitated energy savings of over 30%, and saved over 7,000 tons of greenhouse gas emissions.
- **Devon County Council** launched 'Decarbonise Devon' with the council's **Green Innovation Fund** grant scheme. It will support SMEs with specialised energy audits and decarbonisation planning, as well as ensuring high standards of installation work. The council has partnered with a local community interest company called 'Devon Energy Collective' to host the service.

- **Reigate and Banstead Borough Council** partnered with Inspiration Space to launch free ‘Low Carbon Accelerator’ training, helping businesses to understand and build their pitch for grant funding to help them decarbonise. The programme allows businesses to gain carbon literacy accreditation and create a portfolio of work which they can then use to apply for **grants** of up to £25,000 from Surrey County Council.
- **Shropshire Council** hosted a breakfast with the Marches LEP for local businesses to meet experts, get information and guidance on sustainable energy solutions, funding sources and sustainable energy solutions. The breakfast included two panels for businesses to share their experience and expertise on decarbonisation, as well as demonstrate to attendees how reporting and cutting emissions helped them to become more resilient to supply shocks and the effects of climate change.