

How smaller businesses can become net-zero influencers and enablers

October 17 2023, by Richard K. Blundel



Credit: AI-generated image ([disclaimer](#))

What if all of the UK's [48,000 hairdressing salons and barbershops](#) started sharing water and energy-saving advice with their clients, alongside a clipper cut or a wash and blow dry? [Previous studies](#) have demonstrated that hairdressers can shape customers' environmental behavior with guidance they can trust and that relates to their everyday

lives.

And it's not just hairdressers. Cafes and restaurants are also addressing food-related emissions with carbon labeling schemes and more sustainable menu choices.

Recruiting smaller businesses to support the drive for net zero makes a lot of sense. More than half of the UK's business emissions are [estimated](#) to come from its 6 million small and medium-sized enterprises (SMEs—companies with less than 250 employees). As the authors of a [recent OECD report](#) argue, there's "no net zero without SMEs."

But the decarbonization of smaller firms has only recently attracted serious attention from policymakers, through initiatives such as the [UK Business Climate Hub](#). And while criticism of Rishi Sunak's watering-down of net-zero policies has [united environmental campaigners with some company bosses and investors](#), it may not be enough to keep SMEs and their emissions in the spotlight.

SMEs are important as energy consumers, and there is an increasing focus on the carbon they emit directly, or that is embedded in their products and services. However, as highlighted in [a recent study](#) I worked on with colleagues at Oxford and Sheffield Hallam universities, smaller businesses can also help cut emissions as behavioral "influencers" and "enablers" of change.

SMEs could have a vital role as enablers by helping with the wider adoption of low-carbon technologies. The scope of this type of activity is vast. For example, leading-edge innovations like the [Belfast Maritime Consortium's](#) high-speed, zero-emission passenger ferry (which is launching a [pilot scheme](#) in 2024) could help lots of commuters to cut their daily travel emissions.




In addition, many thousands of plumbers and electricians are already playing essential [intermediary roles](#) as advisors and installers of more established technologies, such as electric vehicle chargers and heat pumps.

Persistent challenges and hopeful signs

Businesses need to adopt low-carbon technologies and practices to improve productivity, remain competitive and attract staff. The scale and complexity of this challenge varies greatly between sectors. But all businesses could benefit from a [more joined-up](#) support framework to help them achieve their goals.

In fact, many smaller businesses are effectively flying in the dark. A recent study estimates that [just 1% of SMEs in England are accessing net-zero business support](#). Our [research](#) on support arrangements for SME decarbonization points to large variations in provision across the four UK nations and between different industry sectors.

Scotland has provided consistent support to SMEs over the last decade, for example, with expert energy audits and subsidized grants available. By contrast, smaller businesses in England have not had access to a national funding program for building energy efficiency.

SME Role	Activities	Examples	Changes required for net zero	Conventional policies and interventions (climate and energy)
Consumers 	<ul style="list-style-type: none"> Using energy for space heating, lighting, transport and operations (Scope 1 & 2 emissions) Procuring and using material resources and services (Scope 3) 	<ul style="list-style-type: none"> Energy intensive firms: metalworks, bakeries, breweries Resource intensive firms: builders, restaurants, farming 	<ul style="list-style-type: none"> Accelerate emissions reduction planning and monitoring, modify products and practices, install cleaner technologies 	<ul style="list-style-type: none"> Exempted from most environmental taxes and regulation Incentives: financial, expert support, often locally organised
Influencers 	<ul style="list-style-type: none"> Supplying goods and services to customers Procuring inputs Membership of business networks and communities Employers Lobbyists 	<ul style="list-style-type: none"> Advisors (e.g. accountants, energy consultants) Informal guides (e.g. hairdressers, food retailers) 	<ul style="list-style-type: none"> Advocate for decarbonisation and other sustainability practices (e.g. emissions disclosure, standards and accreditation) 	<ul style="list-style-type: none"> Not a focus for government policy Initiatives often initiated by industry sector and professional associations
Enablers 	<ul style="list-style-type: none"> Providers of zero carbon solutions: technologies, products, services 	<ul style="list-style-type: none"> Heating engineers, PV installers, architects, landlords, surveyors, charities and social enterprises 	<ul style="list-style-type: none"> Develop and expand product and service provision 	<ul style="list-style-type: none"> R&D funding for eco-innovation Subsidies for selected technologies

Credit: [Crisis and opportunity: transforming SME governance for net zero](#). S. Hampton, R. Blundel, W. Eadson, P. Northall and K. Sugar (2023) , [CC BY-ND](#)

Similarly, while SMEs in industries such as food and hospitality are relatively well represented by trade associations that can provide more tailored net-zero advice, we have identified significant issues with access to business support in other sectors.

SMEs operating in large industrial supply chains, for example, often have to navigate an array of regulations and measures from different government departments that do not always appear to be speaking to one another. This generates cost and confusion for many smaller businesses as they struggle to find the right support.

Taking SMEs more seriously

The government's [net-zero review](#), chaired by Chris Skidmore MP and

published in January 2023, was commissioned to identify a pathway to meet the UK's net-zero target by 2050. It provided a clear set of policy actions designed to trigger an "[ambition loop](#)" in which [government policy](#) and private sector leadership reinforce each other to increase climate action even further.

But while Skidmore mentions SMEs, there are three key areas where more radical change is needed to help them make a real impact on the UK's decarbonization goals:

1. Information and signposting

The review proposed a "Help to Grow Green" campaign, offering information, resources and vouchers for SMEs to plan and invest in the net-zero transition. The UK government's [Department for Energy Security and Net Zero](#) is piloting a new digital energy advice service to help SMEs navigate the maze of competing information sources. But to be really effective, tailored advice and meaningful support is crucial—a balance that's difficult to achieve in practice.

2. Energy efficiency

Skidmore also called for SMEs to be included in tax reforms to accelerate uptake of energy-efficient technologies. Initiatives of this kind could also help drive improved SME productivity—a longstanding government goal. However, there are few signs of this kind of fiscal incentive in the pipeline right now, at least at a national level.

3. Carbon skills gap

The review highlighted skills gaps in many specialist areas, such as carbon auditing, as well as across sectors and places. A step-change in

investment in further education colleges in particular is needed to expand the number of courses, apprenticeships, and knowledge-exchange initiatives. Again, this would help [business](#) productivity while also promoting net-zero targets.

The UK's SME population can make a massive difference to the delivery of the country's carbon targets, but it will require a more concerted effort. The government must take the lead, working with sector- and place-based organizations.

The agenda is already mapped out in some detail, but delivery is another matter. There is a lot to learn from existing best-practice examples across the four nations, and by expanding our understanding of SMEs and their multiple roles as net-zero consumers, influencers and enablers.

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