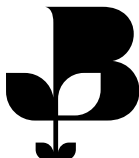


**WHERE
BUSINESS
— BELONGS**



CLIMATE CALL TO ACTION **RESEARCH REPORT**

 **British
Chambers of
Commerce**
**GREEN
INNOVATION**

Supported by


LLOYDS BANK

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2050

is the target set by the UK Government to achieve Net Zero emissions

81%

of smaller businesses are yet to develop a plan to become Net Zero

3.2m

workers in the UK will need to increase their skill level or gain a new qualification to meet the UK Government's commitment to decarbonise the economy by 2050

WHERE
BUSINESS
BELONGS

BCC FOREWORD

We live in an era where everyone is now aware of the increasing impact of climate change.

There is rarely a day when it is not mentioned in the news, as we witness extreme weather events and disasters, both close to home and further afield, befalling our planet.

The damage it will cause to our economy will also be devastating.

Businesses we have spoken to in our Chamber Network, to help inform the recommendations for this report, understand the challenges, and that sitting it out is not an option.

But many smaller firms feel lost in a fog of conflicting information. They are reluctant to invest in new technologies when they fear that the Government, at any point, could bring in new regulations or rules that immediately undermine their investment.

As other countries and trading blocs pour billions into low-carbon technology there is a real danger we will get left behind.

But in the midst of a cost of doing business crisis, firms are reluctant to sink their money into Net Zero technologies and energy efficiencies when the commercial pay-off appears uncertain.

Yet if we get this right then it will be a huge opportunity for UK Plc. This report sets out how we can achieve that.

It means developing a coherent system of free support and advice that is available for every size and shape of firm, right across the country.

Larger corporates also need to commit further to helping the smaller businesses in their supply chains to kickstart their Net Zero journey.

And, most importantly, Government needs to develop a credible long-term strategy, tailored to the needs of our economy, which it must demonstrate it will stick to. This report has set the foundations for that strategy, now we just need to see it actioned and delivered.

Shevaun Haviland
Director General
 British Chambers of Commerce

LLOYDS BANK FOREWORD

The UK's 5.5 million small-to-medium-sized enterprises (SMEs) are the lifeblood of our economy and will play a critical role in reaching the UK Government's public ambition of a Net Zero economy by 2050.

We know that businesses continue to face a challenging external environment – from recovering from the Covid-19 pandemic, to volatile energy costs and the impact of rising inflation. But this period has also demonstrated the resilience and agility of UK business.

Against the backdrop of these ongoing challenges, we must ensure that all SMEs are actively engaged on the journey to reduce their carbon emissions. We must remain focused on championing the benefits that a transition can deliver and mindful of the fact that many SMEs won't be able to reach Net Zero alone. Collaborating with likeminded organisations such as the BCC will be key.

This new research shows that SMEs are taking actions to benefit from the many commercial opportunities that will become available from investment in transition, such as lower costs, improved reputation and attracting new investment. Recycling, reducing energy consumption and sourcing renewable energy are three of the most popular activities and reflect findings from our own Net Zero Monitor, which identified the first steps SMEs could take on their Net Zero journey.

In terms of the barriers to transition, we know that SMEs are constrained by a combination of cost, time, and resources. Other challenges are also revealed, including that many SMEs currently believe investment in green technology would not increase their productivity, and when it comes to green skills most have not planned for the future. More needs to be done to bring to life the benefits that this type of investment can have on a business.

This report clearly highlights the need for both clarity and certainty. There is an important role for Government in signposting the free support, advice and incentives available for small businesses on each step of the journey.

Lloyds Bank has a key role to play, offering practical support, guidance, and finance to businesses regardless of where they are on their journey. And we'll continue working across the UK business community to ensure the sharing of knowledge and best practice.

Our ambition is to be a leading bank in supporting SMEs along their journey to Net Zero, and we are determined to play our full role in this collaborative effort.

Paul Gordon
Managing Director Relationship Management
 Lloyds Bank

99%

of the total number of UK businesses are small and medium-sized enterprises (SMEs)

50%

of non-household greenhouse gas emissions are estimated to be attributed to SMEs

5.5m

private sector businesses were estimated to be in the UK at the start of 2022

CONTEXT

THE IMPORTANCE OF BUSINESS ACTION

The number of private sector businesses in the UK at the start of 2022 was around 5.5 million. 5.47 million businesses were small (0 to 49 employees); 35,900 businesses were medium-sized (50 to 249 employees) and 7,700 businesses were large (250 or more employees).

SMEs collectively are significant users of energy and contributors to the UK's greenhouse gas emissions (GHGs). Although SMEs account for around 99% of the total number of UK businesses¹, it is estimated that SMEs consume about 50% of commercial and industrial energy².

There is significant action underway across the business community on climate change. However, there are specific challenges to the successful engagement of SMEs on the Net Zero journey, given the sheer number of companies and the comparative lack of resource SMEs can dedicate to meeting environmental challenges. SMEs are a vital part of the UK's economy, contributing 50% of the country's Gross Value Added to GDP (worth £1.0 trillion in 2021), and supporting 52% of total employment with 18.2 million jobs⁴.

¹SMEs are businesses with fewer than 249 employees. At the end of 2022, the UK business population was around 5.5 million businesses, of which large businesses (over 250 employees) numbered 7,700 <https://www.gov.uk/Government/statistics/business-population-estimates-2022/business-population-estimates-for-the-uk-and-regions-2022-statistical-release.html>

²<https://ukerc.ac.uk/project/sme-governance-for-net-zero/>

³Energy and emissions projections: Net Zero Strategy baseline (partial interim update December 2021)

⁴<https://www.sage.com/en-gb/news/press-releases/2022/11/smes-critical-to-cutting-uk-carbon-emissions-but-overlooked-in-Governments-net-zero-plans/>

SURVEY RESULTS

SME UNDERSTANDING AND ACTION ON NET ZERO

Sample and Key Findings

Given the vital need for SMEs to play their part in the UK's journey to Net Zero, the British Chambers of Commerce, in partnership with Lloyds Bank, carried out an in-depth survey of over 1,000 UK businesses, 96% of whom were SMEs, to test their understanding of Net Zero targets and where they currently are in their Net Zero journey.

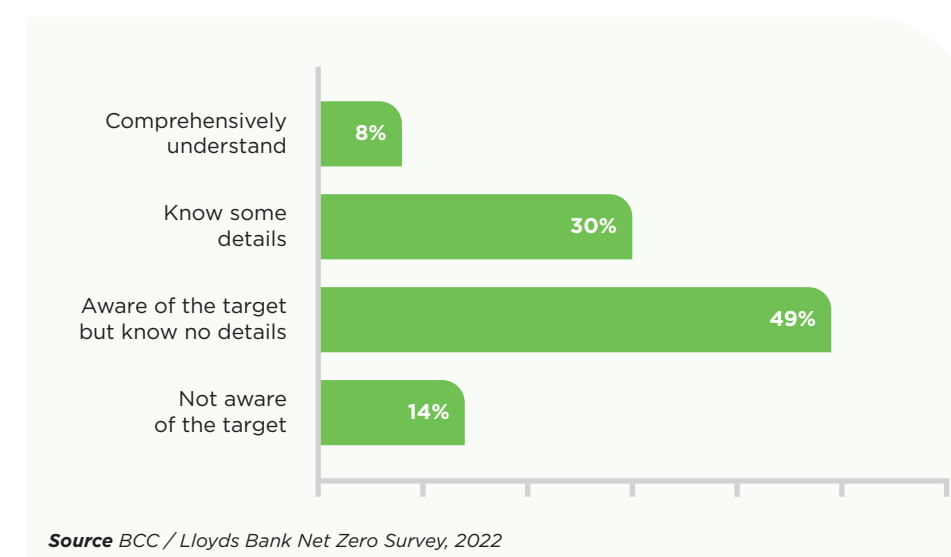
In general, the survey revealed very low levels of understanding among SMEs about how the Government's 2050 Net Zero target may impact their organisation. Only 8% said they comprehensively understood what the Net Zero target means for them, with 30% saying they know some details. Around half (49%) were aware of the target but knew no details and 14% were not even aware of the target.

The survey focused on the smaller end of the SME sector, with over 80% of respondents employing less than 50 people. Those firms with more than 50 employees were typically much further along in their Net Zero journeys, both in terms of their understanding and actions taken to become more sustainable.

These findings illustrate the need for Government (whether national or local) and the private sector to help businesses engage with and understand what the Net Zero targets mean for them.

CHART 1

The UK Government has set a target of achieving Net Zero emissions by 2050. To what extent do you know what the potential legal or regulatory obligations of this target might be on your organisation?
BASE: (SMEs: N = 977)



⁵BCC / Lloyds Net Zero Survey, 1,046 participants, 96% SME (fewer than 250 employees). Fieldwork carried out 12 October - 03 November. Note that due to rounding, some percentages may not add up to 100.

2050

is the target set by the UK Government to achieve Net Zero emissions

49%

of SMEs are aware of the Government target but knew no details

81%

of smaller businesses are yet to develop a plan to become Net Zero

9%

Less than 10% of SMEs are either on-track to become Net Zero or have already done so

61%

of SMEs are not currently taking any action towards becoming Net Zero

SME UNDERSTANDING AND ACTION ON NET ZERO (CONTINUED)

The Smaller Business vs Bigger Business Divide

The research consistently highlighted a substantial divide between larger firms and smaller firms in terms of their understanding of Net Zero, and levels of associated activity to reduce their emissions. More than half (56%) of firms with more than 50 employees said they 'comprehensively understand' or 'know some details' of the Net Zero target, compared to just 35% of those with fewer than 50 employees.

Where Are Firms in Their 'Net Zero Journey'?

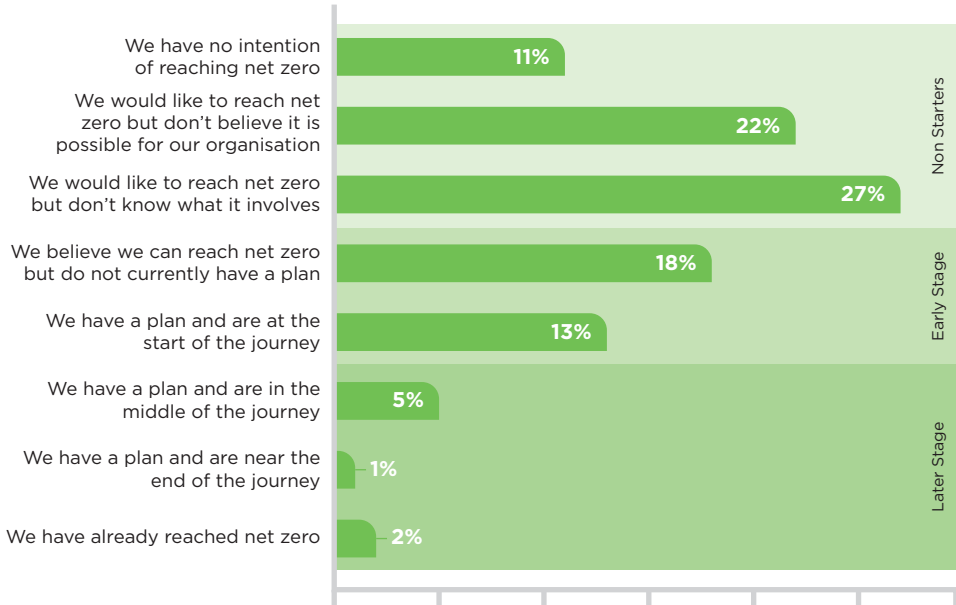
The British Chambers of Commerce / Lloyds Bank survey tested the extent to which SMEs consider themselves to be on a journey towards Net Zero.

Three categories emerged (chart 2):

- Nearly two-thirds (61%) were "non-starters", who are currently not taking any action for various reasons such as a lack of resources*.
- Around a third (31%) were at an "early stage", meaning that they either have the belief they can do it but have no plan, or are at the beginnings of delivery.
- A further 9% were in a "later-stage" category, meaning they were either on-track to become Net Zero or had already done so.

The smaller vs bigger business divide was once again prevalent - almost twice as many firms with more than 50 employees (36%) have developed a plan for reaching Net Zero compared to those with fewer than 50 (19%).

CHART 2 Which of the following statements best represents the current position of your organisation's 'Net Zero journey'? BASE: (SMEs: N = 975)



Source BCC / Lloyds Bank Net Zero Survey, 2022

*Please note: Due to rounding, not all figures add up to 100%.

What Factors Have Helped 'later-stage' SMEs?

The survey gained additional insights through comments from 'later-stage' businesses, helping understand what factors had helped them progress more quickly.

TABLE 1 For organisations further into their Net Zero journey, what do they think had the biggest impact on accelerating their journey?

Common themes mentioned by businesses	Comments relating to the theme
Installation of solar panels	"Comprehensive installation of PV panels, started in 2010 and still some way to go" Medium-sized property sector firm in Kent
Moving to electric vehicles	"Moving most of our fleet to electric vehicles" Small construction, sector firm in Sheffield
Reducing or reviewing overall travel	"Focused reduction of vehicular travel" Micro property sector firm in Suffolk "Committing to sustainable travel and off-setting what can't be avoided" Micro consulting firm in Scotland
Improving skills and knowledge	"Hiring a new key member of staff" Medium sized IT and data sector firm in Ayrshire "Use of an external consultant" Medium sized consulting firm in Aberdeen

Source British Chambers of Commerce / Lloyds Bank Net Zero Survey, 2022

“Almost twice as many firms with 50+ employees have developed a plan for reaching Net Zero compared to those with fewer than 50

20%

of smaller firms
say they are yet to
adopt any green
technologies

69%

of organisations are
using LED lighting
within their business

SME UNDERSTANDING AND ACTION ON NET ZERO (CONTINUED)

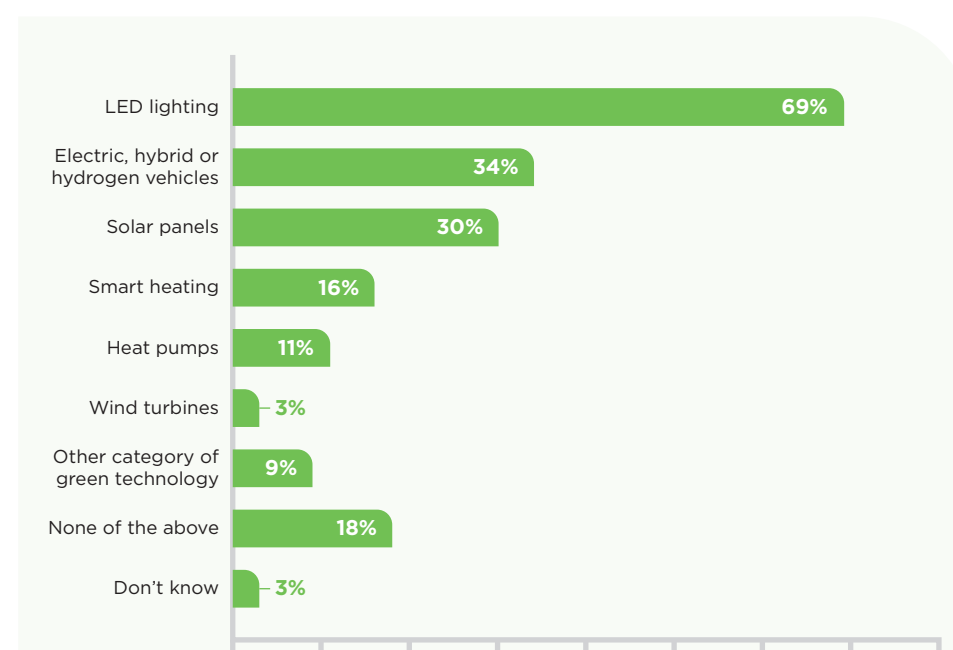
What Action Has Been Taken?

Despite relatively low levels of understanding of the wider Net Zero discourse, the survey demonstrated that many SMEs have taken steps to reduce their environmental footprint, including actions on low-energy lighting, recycling, and waste reduction (charts 3 and 4). This indicates that many SMEs recognise the benefits of environmental action, including financial and efficiency gains, but are not viewing this within the context of 'Net Zero'.

Again, larger firms are generally more likely to have taken specific actions – only 6% say they have not adopted any of the green technologies listed, compared to 20% of smaller firms. However, the prevalence of green technology adoption, even among smaller firms, is still high, indicating that businesses, regardless of size, adopt new technologies when the benefits are clear.

CHART 3

Has your organisation adopted, or is it planning to adopt, any of the following technologies? BASE: (SMEs: N = 935)

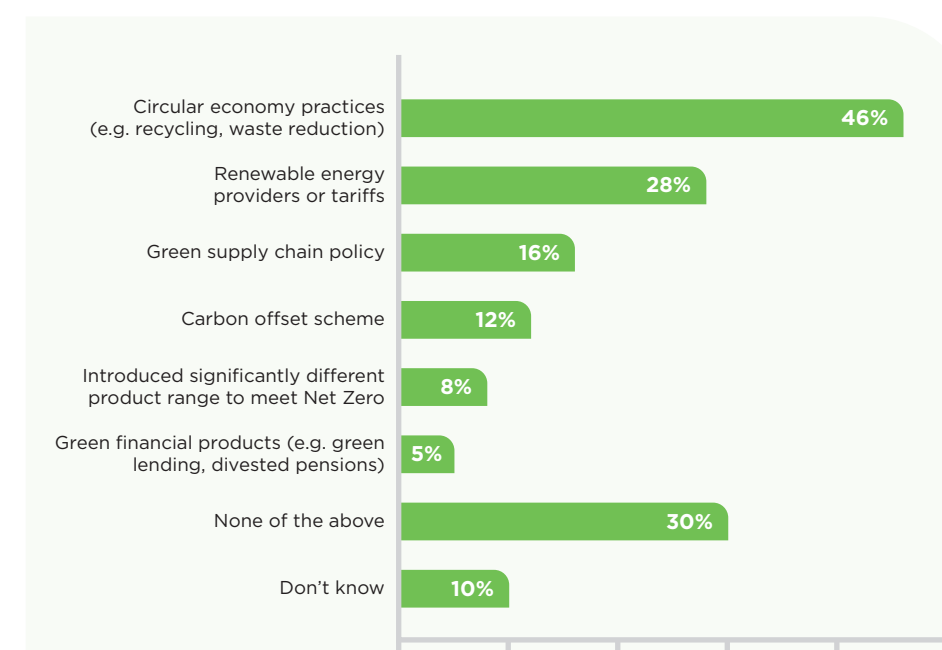


Source BCC / Lloyds Bank Net Zero Survey, 2022



CHART 4

Beyond specific technologies, has your organisation adopted, or is it planning to adopt, any of the following? BASE: (SMEs: N = 931)



Source BCC / Lloyds Bank Net Zero Survey, 2022

“Larger firms are generally more likely to have taken specific actions on Net Zero

SURVEY RESULTS

CHALLENGES FACING SMEs ON THEIR JOURNEY TO NET ZERO

21%

of SMEs believed green technologies would decrease their productivity

“Extra costs probably won't be off-set by financial gain

Small manufacturer in East Lancashire

Having established levels of understanding of Net Zero and tested what actions are underway to advance towards the target, the survey then sought insights into the challenges and opportunities SMEs face in their Net Zero journey.

SMEs Face a Challenging Business Environment

To understand SME approaches to Net Zero, a useful starting point is to understand the wider pressures affecting their businesses. The British Chambers of Commerce / Lloyds Bank research provides a useful summary of this through qualitative responses from businesses. Respondents cited concerns over costs such as energy, the impact of inflation, and Government uncertainty as having the biggest impacts on confidence and willingness to invest.

Overall Challenges to Environmental Action

Prior to the British Chambers of Commerce / Lloyds Bank survey, a previous British Chambers of Commerce research project from 2021 looked at challenges to environmental action and found cost to be the single biggest barrier to action. Non-financial barriers included a lack of information, the view that it is not a top priority for the business, lack of demand from stakeholders, and lack of skilled staff.

The British Chambers of Commerce / Lloyds Bank research summarised in this report that this was still a key challenge and was able to build on these findings to gain further insights.

Impact of “Green” Technology on Productivity

The BCC / Lloyds Bank survey revealed an important new insight into the impact that transitioning to Net Zero could have on SME productivity (chart 5). Only 9% of SMEs said they believed green technologies would increase their productivity while around a fifth (21%) said productivity would decrease. Just over half (55%) said there would be no change.

Smaller firms were slightly less likely to expect increased productivity (9%) compared to larger firms (14%). However, a similar proportion of smaller firms and larger firms expected a productivity decrease (20% and 27%, respectively). Respondents who believed the adoption of green technology would decrease productivity were asked why they felt this would be the case (table 2).

This finding implies that more should be done by Government, business groups and others, to amplify the long-term benefits of investing in green technology.

CHART 5

What impact overall, if any, do you think green technologies have (or will have) on your organisation's productivity? BASE: (SMEs: N = 881)

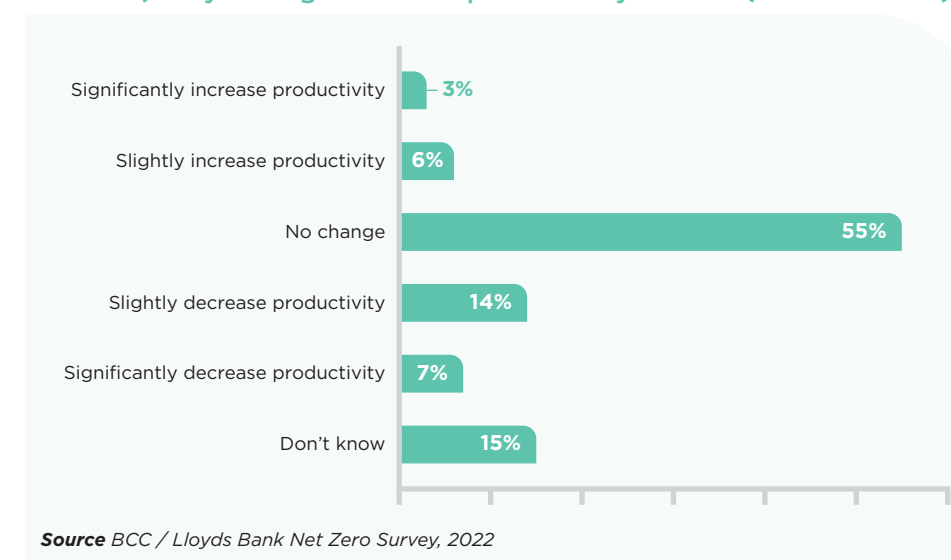


TABLE 2

Reasons cited by respondents who believed the adoption of green technology would decrease productivity

Common themes mentioned by businesses	Comments relating to the theme
Additional costs	“Extra costs probably won't be off-set by financial gain” Small manufacturer in East Lancashire
Use of time and resources	“There is a lot of work involved in conducting a project of this nature which detracts from day-to-day activities running the business” Micro retailer in South Cheshire
Electric vehicle infrastructure	“We deliver across Norfolk & Suffolk using large Vans (Luton size), Electric Vans have too limited range to be effective for us, meaning we will have to waste time to re-charge during delivery rounds, reducing productivity” Small retail or wholesale firm in Norfolk “If we changed to all electric vehicles there needs to be increased access to charging in the NE and Scotland as we do a lot of long journeys” Small construction firm in North East England

Source BCC / Lloyds Bank Net Zero Survey, 2022

55%

of SMEs said they believed using green technologies would have no affect on their productivity

“If we changed to all electric vehicles there needs to be increased access to charging

Small construction firm in North East

79%

of SME respondents have not assessed what skills or green jobs they will need in the next 10 years

3.2m

workers in the UK will need to increase their skill level or gain a new qualification

CHALLENGES FACING SMEs IN THEIR JOURNEY TO NET ZERO (CONTINUED)

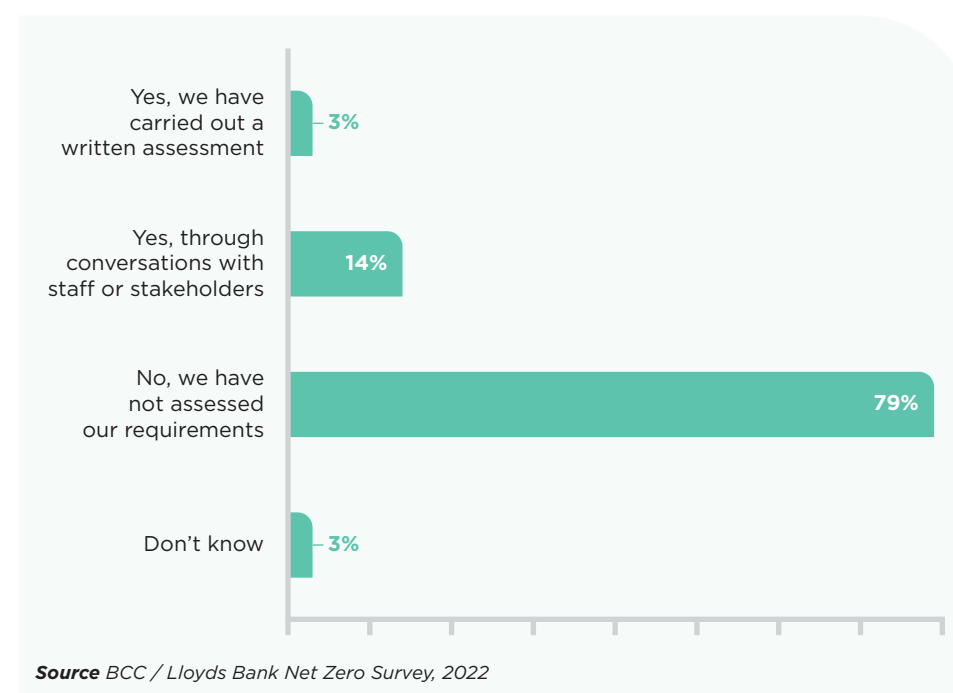
Skills Planning

The transition to a Net Zero economy will require transformation across a wide range of sectors. “Green Skills” are central to the climate debate in the UK, providing major challenges and opportunities for the workforce in the years ahead. The Net Zero Strategy recognises that 230,000 skilled tradespeople will be needed by 2030 to deliver the planned retrofitting of housing alone.

The British Chambers of Commerce / Lloyds Bank survey adds to the body of evidence, revealing that 79% of SME respondents have not assessed what skills or green jobs they will need in the next 10 years (chart 6). This result is, arguably, linked to the finding noted earlier, where around 60% of respondents (chart 2) were in the “non-starter” category on their journey to Net Zero. Smaller firms are again far more likely to say they had not done an assessment (81%) compared with larger firms (61%).

CHART 6

Has your organisation done an assessment of the Net Zero or ‘green’ jobs or skills it might require in-house within the next ten years? BASE: (SMEs: N = 954)



INSIGHTS

FROM SME ROUND TABLES

Feedback and Insights From Round Table Sessions

Five SME round table sessions were convened and facilitated by Chambers of Commerce in locations across the UK, to discuss and explore what progress was being made in the journey to Net Zero.

Participants were drawn from across different sectors of the economy, including manufacturing, legal, technical and management consultancies, and providers of HR, facilities, and other services. This section draws together the themes that emerged from the discussion at the Round Table events. The Appendix includes 5-page summary of feedback from each round table separately.

Many SMEs Are Taking Action

The round tables found many SMEs are already taking action, but that was not always on “Net Zero” and not always for “green” reasons. Some are acting directly to reduce their carbon emissions; however, many are working on a wider set of environment and sustainability issues. Others have taken steps to reduce energy use for financial reasons which has reduced emissions.

Delivery: Culture, Leadership, Strategy, and Skills

The round tables revealed fascinating insights about how SMEs and larger businesses activate their Net Zero plans. Ideally corporate culture should have climate or sustainability at its core with everyone playing their role. However, some businesses reported they had gone further: appointing a sustainability “champion” which in every case was felt to have accelerated change within the business. Many were struggling with a lack of specific “green skills” (see below), and companies large and small noted the complexity of Net Zero or sustainability reporting systems.

“The round table revealed fascinating insights about how SMEs and larger businesses activate their Net Zero plans



“The round tables garnered constructive comments about what would help SMEs take further action

INSIGHTS FROM SME ROUND TABLES (CONTINUED)

Skills Gaps and “Green Skills”

As noted previously, participants raised skills issues at all the round tables, noting that there are gaps in skilled staff across all areas; and that “green skills” and “green jobs” should be more clearly defined at Government level, with better understanding about employer requirements. Some SMEs felt unsure where to begin.

Supply Chains and Customer Demand Can Unlock Change

The round tables clearly revealed the extent to which supply chain requirements from large firms are driving change in the SME sector, with large-business participants noting contract requirements for suppliers to have Net Zero plans, and SME participants referring to them. There were also several examples of customers, ranging from individuals and companies to public sector funders, looking to purchase from “greener” firms.

Barriers: Incentives, Complexity, and Cost

A theme from the discussions was that frequent changes to Government incentives for business action were damaging, and that the Net Zero and/or energy space is complicated to navigate. Businesses need certainty and clarity, especially for more substantial changes (unlocking the most substantial emissions and efficiency gains), which can take time to plan, procure and implement. These incentives are even more important, given that the cost of acting came up repeatedly in the round tables, ranging from the on-cost of installing equipment or the running costs involved. Participants discussed issues that are outside of their direct control, like grid connections, causing frustration and reducing their ability to act.

Ideas to Encourage Additional Action

The round tables garnered constructive comments about what would help SMEs take further action. The need for national free support to reduce complexity was raised at the round tables. Clearer Government communication was another suggestion shared by many, with some Government strategies feeling too long-term and distant to engage with the SME audience.

RECOMMENDATIONS

TO SUPPORT SMEs ON THEIR NET ZERO JOURNEY

Government has a vital role to play in informing SMEs on the Net Zero journey, signposting advice and support - as well as in providing incentives where circumstances allow. It should review the mechanisms in place for communication of Net Zero plans and strategies, ensuring the requirements of the transition are set out in realistic and achievable terms, with a clear articulation of the role of SMEs in delivering wider change. SMEs nationwide also need greater provision of free support to help them take action. This support and signposting is critical to facilitating progress in a complex environment, where there is often a lack of in-house skills; and frequently a lack of capital to pay for advice.

Businesses should also expand their peer-to-peer knowledge-sharing in order to support one another as they look to take further action. There are many examples of positive business cases; SMEs should look for examples and see how taking action on energy and sustainability can help win business and reduce costs. Business organisations, lenders and other stakeholders have a vital role to play in supporting SMEs - for example, by convening local and sectoral groups that can provide relatable, realistic case-studies, suggestions, and advice.

Many barriers to SME action are outside of SME control: unless the supporting, enabling actions required are taken, there will be a limit to what many businesses can achieve. Examples include:

- Infrastructure for EV charging;
- Supply chain problems (such as shortages of Net Zero technologies, suppliers, or installers); and
- Landlords refusing permission for a tenant to put up solar panels.

The lack of ability to influence these barriers directly is demoralising and reduces action, with a feeling that SMEs are “being left behind”. Government and businesses should review these wider, cross-economy barriers (many of which will also face larger businesses), and provide clear, time-bound plans to resolve them.

Finally, Government should review the advice and support available to enable SMEs to make the transition to Net Zero. It should consider a comprehensive mechanism for the provision or signposting of advice, facilitation of peer-to-peer support amongst SMEs, and Government-backed removal of barriers. An SME Net-Zero Industrial Strategy could offer one means of achieving this as a clear, single point of reference.

“Businesses should expand their peer-to-peer knowledge-sharing in order to support one another

MORE INFORMATION

BRITISH CHAMBERS OF COMMERCE
AND LLOYDS BANK PARTNERSHIP

During 2022 and 2023, the British Chambers of Commerce and Lloyds Bank worked together to support SMEs in understanding and meeting the Net Zero challenge.

The partnership comprised of a quantitative research project, published in early 2023, that showed action on Net Zero is held back by a lack of understanding. The findings from this research formed the basis of a roadshow of events held across the UK, where SMEs came together to discuss the key barriers they faced in becoming more sustainable, to identify and share the opportunities and the benefits of becoming more sustainable, and to highlight ways that local authorities, national Government and the finance industry can provide further support.

Supported by



This report is a culmination of the data collected via the joint national research project, that surveyed over 1,000 Chamber members, and the challenges, opportunities and insights that were collected during the 'Understanding and Meeting the Net Zero Challenge' roadshow.



APPENDIX

SUMMARIES OF
SME ROUND TABLES

West & North Yorkshire

Complexity and Compliance

One participant reflected that free support would be very helpful to reduce complexity. Linked to this, there were concerns around compliance in terms of doing the right thing and reporting in the right way. One business noted that businesses were, at one point, being taxed on solar panels and so had them removed; then the tax measure was changed again to avoid the tax, by which time the funds to install them were not available. A manufacturer noted that it is complex to reduce their energy use, and asked how they should go about doing that.

Cost and Productivity

A manufacturer said that when looking at cars, hybrid and electric cars, they were too expensive to run. A participant in the catering sector said that they are looking to move 50% of vehicles to greener options; but are waiting too long for them to be available or fixed. A housing sector participant said that they did not like the fact that there are charges to produce a carbon footprint. A professional services participant spoke about how the move to Hydrogen boilers will be hampered by concerns about the long-term price of Hydrogen fuels. There was a concern about taking the wrong action, and this posing a compliance risk.

Infrastructure – “risk of being left behind”

A housing sector participant called for more action by infrastructure providers; noting that a row of terraced houses would not typically have EV chargers. They described this as “a feeling that businesses are being left behind”.

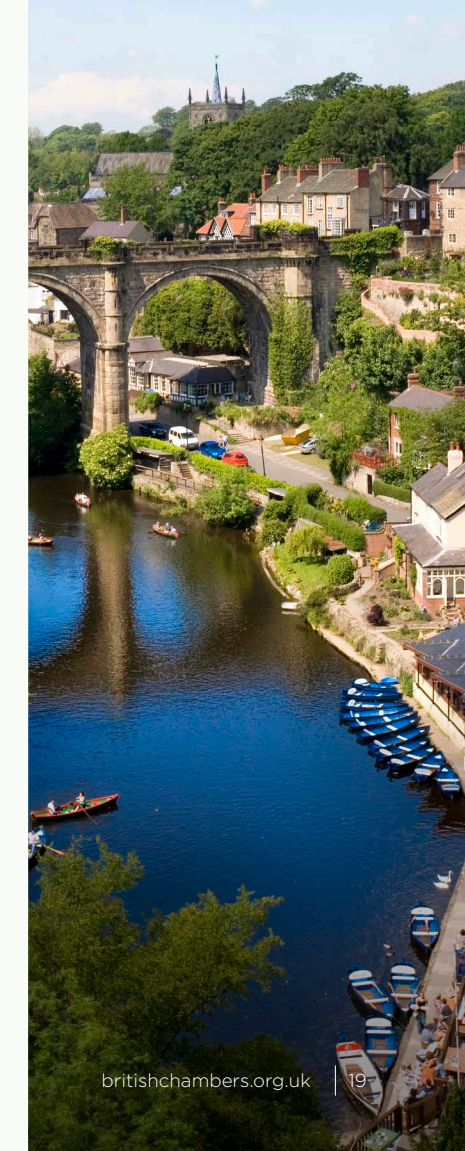
Encouraging Additional Business Action

A legal sector participant asked whether sustainability was sufficiently part of the recruitment process, noting that younger people are more motivated by sustainability. A manufacturer thought that companies are being reactive rather than proactive. It is complex in their sector to reduce carbon footprint, but it is “easier in a professional environment”. A participant from local Government noted that most businesses look at a 3-year view to reducing carbon footprints, and that if they could work with supply chain partners there could be mutual benefits. A telecoms participant called for a national network providing free support to help address complexity.

Green Skills

A participant raised the question of whether “green skills” relates to a green job, or a green skill. Their point was that there will be green skills that every role or profession will need, but these are not currently well defined. A participant from the building sector thought that stakeholders in the skills area have their own agendas, and that there is a lack of a clear route forward. They thought Government advice on training needs to be right, and standards need to be set so that everyone understands what is meant by green skills. In summary, green skills needs to be defined so that there is a clear understanding of employer requirements.

“A participant from local Government noted that most businesses look at a 3-year view to reducing carbon footprints”



“A participant in the professional, science and technical sector highlighted that their customers want to see sustainability initiatives

APPENDIX: SUMMARIES OF SME ROUND TABLES (CONTINUED)

Birmingham

Where does Net Zero sit in business planning

An arts-sector participant noted there is not an appointed representative within their organisation focusing on sustainability, and that they need more internal help in achieving Net Zero. In contrast, a participant in the professional, science and technical sector said that sustainability is part of everyone's role, as it is a core part of business culture. A management consultancy business noted that there are challenges helping clients understand the implications of choices; for instance that EVs can have more embedded carbon than petrol and diesel cars over short distances. An HR firm noted the importance of leadership in driving action, but that SMEs typically lack finance to implement actions.

Business Case for Action

A wholesale trade company listed activities, e.g. online documents, less printing, and switching to cleaner vehicles; all of which were well received by clients. A business in facilities support activities noting that they had found success in building a business case for public sector investment by including social benefits, which is another aspect of sustainability. The participant in the professional science and technical sector enabled staff to work in the office (rather than at home) during periods of high energy prices. A participant in the professional, science and technical sector highlighted that their customers want to see sustainability initiatives.

Barriers to Action and Ideas to Boost Action

A participant in facilities support valued thoughtful leadership, noting that a change in organisational culture is extremely difficult; the need for leadership was echoed by an SME in the arts and culture sector. Communication of the Government's strategy was seen as a barrier, with a management consulting participant citing plans around the transition to using Hydrogen-fuelled boilers as hugely challenging. A similar point was made by an SME in the arts and culture sector, noting that the Government's Net Zero policy refers to sustainable aviation fuel which does not yet exist. A good-practice example of action was cited by the West Midlands Combined Authority decarbonisation vision, which looks at different ways to use and produce energy.

Business Environment – Cost and Funding

The Chair noted that EU Grant funded programmes are ending, and UK grants are lower. An SME in professional, science and technical activities saw organisation rents as a key barrier. They noted that they had asked to introduce solar to the building, but the landlord rejected this.

Skills Issues

The HR sector participant said that sustainability is a task for everyone, but that it is still good to have a sustainability champion. The facilities participant found that there is a significant skills gap, and said that Brexit had played a role in this issue. A participant in management consultancy had lost 50% of talent in a few months, partly due to scarcity of talented people and others offering higher wages. This last point was echoed by the participant from the arts and culture SME.

What Would Participants Change about Government and Finance Sector Support?

The facilities support participant noted their preference to have working product/service rather than a 'world class' product or service. The participant in professional, science and technical activities called for better clarity and understanding; noting that offsetting isn't impacting Net Zero, and that communication needs to be better. The participant from the arts and culture sector echoed these thoughts, calling on the Government to take more responsibility for public education. The SME in facilities management said that while technology is the answer, we cannot overcome consumerism, and that advances will only be driven by financial reward.

North East England

Efficiency Gains and Carbon Reductions

A charity participant described how they have "unintentionally done quite well" in reducing emissions by improving organisational efficiency. A large corporate participant noted that many businesses lack money to invest, so the first step is to decrease energy use, to enable investment into other measures. A recycling company noted that technical improvements had made their journey to sustainability more straightforward.

Strategy and Targets

A consultancy offering energy and Net Zero advice noted that SMEs rarely have the capacity to plan for sustainability goals. A large corporate participant noted that some are in the same position as many SMEs and are not sure what to do; others are well into their scope 1 and 2 emissions reporting. An events company said they were currently taking a less formal approach to tracking emissions but had seen a reduction in due to transport choices. They were clear that a more joined-up strategy for ESG was important. A cultural and entertainment sector participant noted that they have brought an environmental strategy into their internal culture.

SME Investment

The energy consultancy participant expressed frustration that many SMEs "don't want to invest to save", even in schemes where there is financial support or with reasonable (e.g. 2-year) payback periods. There were also cases where more cost-effective measures around saving energy were put lower in priority than more expensive renewable energy projects. A large corporate member working with SMEs cited nervousness to invest, and noted work being done to advise them on climate adaptation as well as emissions reduction.

Supply Chain

A large accountancy and advisory firm noted that action on sustainability is frequently a requirement from upstream partners in the supply chain. A catering company agreed that their supermarket partners are asking them to introduce sustainability strategies. A hospital representative described their ambitious plan to embed Net Zero into supply chain contracts, including a no-cost "smart carbon platform" to support suppliers. An auto manufacturer noted they are making Net Zero plans a requirement for suppliers by 2030; they are also helping suppliers understand the requirements.

Government Policy and Business Collaboration

The overall call to Government was for greater consistency and a stronger plan, noting that the money that Government had invested in the Covid response was now not available for investments in clean technology. There was agreement by participants that lots of businesses are doing the right thing but aren't willing to talk about it, and more good things can be achieved through collaboration.

Customer Offer and Skills

A marketing company specialising in environmental issues noted they have had increased sales since transitioning to a sustainable business model. A large accountancy and advisory firm agreed that a good sustainability story helps with finance decisions. Green skills were seen as vital; the energy and consultant participant noted that there are ways to get support, e.g. Scotland and Wales have national programmes, and England is launching a new service. The hospital participant noted a Northumbria University course in climate science, footprinting and reporting.

“An auto manufacturer noted they are making Net Zero plans a requirement for suppliers by 2030

APPENDIX: SUMMARIES OF SME ROUND TABLES (CONTINUED)

Liverpool

ESG Policy and Budget

A facilities and consultancy participant noted the benefits of having an ESG policy was to bring various policies under one umbrella. A participant in retail and leisure real estate advocated for integrating the ESG budget, rather than keeping it separate; noting that ESG was part of everyone's job and fundamental to governance more generally.

Support

A participant from the University sector who has been working with business on Net Zero noted that there is less "hand holding" from Government, particularly with the end of EU-funded programmes. Organisations they worked with were provided with the appropriate tools to take forward themselves although they were still provided with critical friend support. Fundamentally it was incumbent on businesses themselves to engage.

Efficiency

A participant in facilities and consulting services cited how reducing, reusing, and recycling waste is an example of reducing costs while promoting the wider ESG agenda.

SME Resources

All SMEs would initially be looking at the financial return but that there was a growing need to differentiate your business from your competitors. Starting from scratch, and without support to develop an ESG policy for his company, he had made some mistakes but had also learnt a lot.

Procurement

A participant from the facilities and consultancy sector noted that hard economics still dominated tender opportunities, with decisions still often coming down to the cheapest price. Another participant from a similar sector expressed the view that some local Councils were slower in adopting ESG into procurement practices, and that "there was no real move to embed into local SMEs". A proposal that came through this conversation is whether there is a way to create a portal to link business together.

Complexity and Measurement

A participant from a software consultancy noted that while they had already adopted several actions fundamental to ESG, they did not record it as such. There was so much information that "it was difficult to know where to start", and that he would prefer simpler questionnaires. He also wondered if Chambers could play a role in helping SMEs with this.

A representative from the retail venue sector agreed that there is currently a plethora of different measures, and that around six different measurement approaches were available. In contrast, a participant from construction noted that they measured all their carbon outputs across the business.

Skills

The participant from construction linked the introduction of a reporting process to an improvement in green skills across all teams, and that while younger people who were joining the business tended to be carbon literate, there was a still a need to upskill existing teams. A participant from the financial sector noted that there was no mandatory training on ESG but education was key.

Glasgow

Efficiency Gains

A participant from an industrial refrigeration company suggested businesses need to look for efficiency gains, e.g. challenging why the firm is leaving the lights on in under-used rooms.

Support & Advice

Several participants felt the burden and cost was left to business; with funding hard to secure. A transportation SME said they "did not know where to start" and were "being left on their own". Participants called for more public sector support; with one asking whether banks could also provide advice services. In the absence of this, participants felt that more collaboration across the business sector is required.

Monitoring, Reporting and Supply Chain

The role of the supply chain between large and small business was discussed. A large public transport business noted the expense of setting up mapping and monitoring systems to track emissions in supply chain firms; an events business agreed that many supply chain partners sub-contract, adding to the difficulty, noting "there is only so much a company can do". Confusion was also raised; a travel agent said, "there is a lot of noise and no industry recognised measurements".

Business Priorities

Several participants felt that Net Zero was a low priority - only "12th on the list" because "that is where companies want it to be", and that a mindset change is required. In contrast a travel agency participant noted that people approach holidays with an environment as a larger priority, and that having a positive story to tell can help in a sale. It was felt that Net Zero and environment took a back seat for businesses during Covid-19.

Net Zero versus Sustainability

A business in the agriculture sector noted that Net Zero is not the same as "sustainable"; e.g. does the customer want a "zero carbon" chicken or a "sustainable" chicken? A public transport operator called on Net Zero and sustainability to be treated as complementary, not in isolation.

Government Policy

Participants raised several points about policy; a logistics operator noted that many Net Zero transport issues are structural, requiring huge-scale investment which the private sector does not have. Another participant called out the environmental levy as a specific issue, calling for more transparency on how it is spent, and noting that they cannot pass it on. Concerns about additional regulation were raised, as was the need for a long-term approach from Government.

Skills

Skills were raised by the group in various ways. A large construction company said there is a shortage of green skills leading to vacant roles; arguing that is exacerbated by an exodus of skilled workers overseas and a tendency to value HE over vocational training. Others called for additional funding for vocational courses.

Company Management and Strategy

Participants varied as to where sustainability ranked on their issues, ranging from top priority to important, but all felt Net Zero was in their business plans. Suggestions were made about how businesses can approach planning on Net Zero; the events business recommended putting a specific person in charge; a Net Zero advisory company recommended keeping carbon accounts. The logistics firm called for KPIs and measurable goals.

“A participant from the financial sector noted that there was no mandatory training on ESG but education was key

“A business in the agriculture sector noted that Net Zero is not the same as sustainable

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