

# Recommendations for **Supporting SMEs** on the Road to Net Zero

A Planet Mark and Amazon  
Small Business Accelerator  
White Paper | **March 2023**

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# Executive summary

**Objective:** To give a voice to Small and Medium-sized Enterprises (SMEs) in the development of a regulatory and economic framework which enables them to join the race to net zero.

Achieving the UK's net zero target by 2050 will require concerted and targeted actions not only from Government and large corporations, but also from the nearly 6 million (STATISTA, 2022; BEIS, 2019) private businesses that form the SME sector.

However, SMEs often lack the resource, political access and expertise to engage proactively in informing development of policy and standards. As acknowledged in the UK Government's Net Zero Review, SMEs need specific advice and support so they can better understand and contribute to the net zero transition.

To ensure that SMEs are well supported through the net zero transition, Planet Mark and the Amazon Small Business Accelerator (ASBA) teamed up to run a series of themed roundtable events held in Bristol, Cambridge and Manchester with a variety of industry focuses, covering: sustainable packaging, digitisation, technology and manufacturing.

Through these roundtables and an accompanying survey, over 40 organisations, academics, sector experts and industry bodies were engaged to identify and explore the key barriers, opportunities, innovations, policy and funding needs of SMEs that can affect their capacity to transition into sustainable and resilient net zero businesses.

### Key findings included:

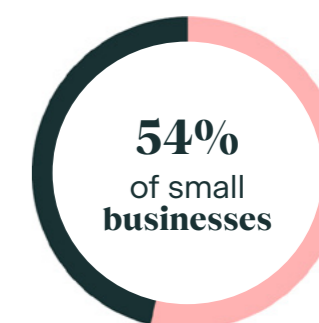
**Barriers:** Limited resources, including both lack of time and access to finance, were the top barriers referenced, closely followed by not knowing where to start and what actions to take. There were also some very specific challenges for SMEs who are disproportionately tenants of buildings and if their commercial landlord is not willing to share energy, water or waste data with them, then their ability to measure basic emissions sources is severely hindered.

**Opportunities:** Recent advances in technology and other low-carbon solutions are becoming more accessible to smaller organisations with shorter payback periods, allowing them to benefit from cost-savings through energy efficiency improvements, on-site renewables and sustainable manufacturing practices.

**Policy Needs:** The government should develop and clearly communicate a regulatory timetable for updates to net zero policy and standards that is well-coordinated and compatible at regional and national levels to avoid confusion and complexity in compliance.

**Funding Needs:** SMEs can benefit from better communicated public and private financial incentives that help them to provision for updates to standards and regulation.

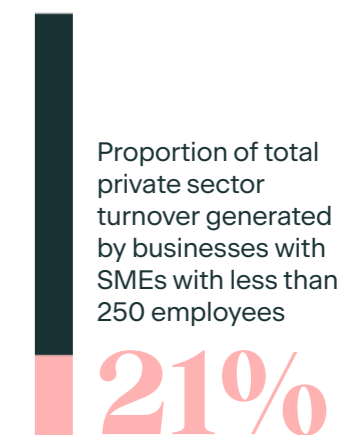
### Small businesses & net zero



Are **unaware** or do not understand UK Government's Net Zero Commitments.  
(SMALL BUSINESS BRITAIN)

### £ 4.49 Trillion

Total turnover of private sector businesses in 2021



## Section 1: A call to action

# Recommendations

The key recommendations provided in this section reflect the top SME insights gathered through roundtable discussions, surveys, industry and policy research. The overarching sentiment from SMEs is the need for clear, well-coordinated and consistent guidance on policies, regulation and funding opportunities that are likely to affect them either directly, or indirectly through supply chains.

### Top Recommendation

**Create an improved government-backed SME Net Zero Resource Hub** - A clear need was identified for a strong single point of reference for SMEs on net zero to be widely promoted, as referenced in the government's own [SME Action Plan 2022-2025](#). There is a particular need for information that is UK-specific and provides breakdowns of information at a regional and sector level, with clear information on impactful sustainability actions, as well as critical legislation and funding opportunities. This should build upon existing industry initiatives like the Broadway Initiative's [Zero Carbon Business](#) site and [SME Climate Hub](#) to create an easily browsable index of the best, freely available resources.

### For Policy Makers

**Consider the indirect impact of legislation on SMEs** - SMEs must have a voice in net zero policy development for anything that may directly or indirectly affect them through supply chains. This gives them time to put the right systems of measurement and governance in place to comply with requirements through an SME-appropriate net zero framework, like the one announced for development by B4NZ at COP27. Policies must be well-coordinated at regional and national levels to avoid confusion and complexity of compliance.

**Provide a clear timeline for SME emissions measurement requirements** - Businesses would benefit from a clear plan for when SMEs might be expected to report a minimum threshold of emission scopes (e.g. Scopes 1 & 2 by 2025) helping SMEs prepare and large businesses to plan into their net zero strategies. Barriers to measurement also need to be removed, for example making it mandatory for commercial landlords to share energy, water and waste data with tenants to allow them to calculate emissions and create reduction plans.

### For Tax and Funding

**Pair net zero regulation with financial incentives** - to help SMEs action compliance in a timely manner and accelerate deployment of low-carbon solutions, their upfront financing limitations and time resource constraints must be addressed through access to funding and green tax incentives (e.g. Environmental tax credit proposed by BIMA, or net zero corporation tax reductions proposed by IoD).

**Create a Net Zero Catapult to scale solutions** - There is a funding gap for scaling successful pilots of innovative low-carbon products and services. If a funded pilot project is successful, bridge-funding from both private and public sources would be incredibly valuable to take solutions to commercial scale, potentially through the creation of a net zero catapult network.

### For Industry

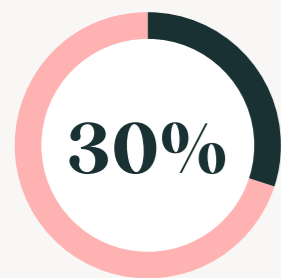
**Large organisations must support suppliers with net zero** - Large organisations have an important role to play in supporting SMEs in their supply chain on their own decarbonisation journeys through the provision of knowledge, financial support and guidance, taking action on their Scope 3 emissions in the process.



## Section 2: SMEs & Net zero

### Where are we now?

SMEs account for almost **30%** of total emissions in the UK



**11%**

However, only **11%** of SMEs have accessed external capital to support net zero strategies (BRITISH BUSINESS BANK)

Since the UK Government's 2019 announcement of the target to achieve net zero by 2050, evidence confirming the importance of engaging the nearly 6 million UK SMEs continues to steadily increase. These businesses represent 53% of the total turnover of the UK's private sector and are responsible for around one third of total Greenhouse Gases (GHG) emissions in the UK. However, recent reports produced by [Small Business Britain](#) and the [British Chamber of Commerce](#) have found that up to 96% of small businesses don't fully understand what the Government's 2050 net zero target means for them.

The UK Government's recent Net Zero Review and SME Action Plan (2022-2025) both acknowledge that SMEs face specific barriers to participating fully in the net zero transition and require targeted support from government. Furthermore, international net zero frameworks do not work for

many SMEs who are starting from a small baseline carbon footprint.

**Legislation and Standards:** These currently apply predominantly to larger corporations who have the opportunity and resources to proactively engage with policy makers in the design and implementation of legislative reporting frameworks. The Scope 3 emission reporting requirements placed upon large corporations typically necessitate gathering emissions data from suppliers. SMEs usually constitute a significant proportion of a corporate supply chain and represent a huge diversity of businesses who sometimes have relatively informal operations. These SME-specific challenges may not have been considered by regulators as 'in-scope' when designing policies for large companies, despite having indirect impacts on SMEs. Furthermore, there seems to be substantial disparity between initiatives and policies across the four home nations, making navigation of the policy arena even more complex. For example, there are differences in the availability of national advice services for business energy (e.g. [Business Energy Scotland](#)) and variation in programmes for SMEs to engage in [circular economy strategies](#) that in turn, support their decarbonisation process. It would be of great benefit to see stronger coordination and consistency of approach between policy makers to improve adoption and reduce complexity of compliance.

**Support and Incentives:** Although smaller enterprises have had access to programmes supporting energy efficiency for over a decade, most schemes were originally designed for large corporations ([Griffin et al., 2012](#); [FAWCETT AND HAMPTON, 2020](#)). Well established sustainability tools, such as Life Cycle Analysis (LCA) and



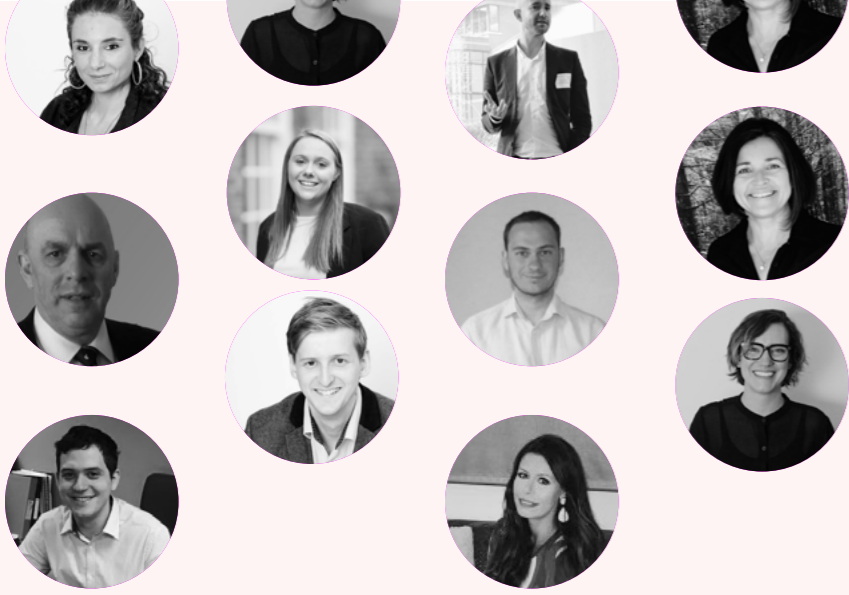
2022-10-25 - Sustainable Manufacturing | Manchester | Roundtable

Environmental Management Systems (EMS) have visibly slower adoption from the sector, predominantly due to lack of expertise and being less suited to the structures, cultures and contexts of smaller businesses ([JOHNSON AND SCHALLTEGER, 2015](#)). Whilst research and development (R&D) incentives exist and are well utilised, there is also an atmosphere of uncertainty and often, an overwhelming array of information regarding availability and suitability of financial instruments and incentives – such as grants, debt, equity and tax incentives, etc. With little guidance focused on the suitability of the schemes, in addition to the time and skills required to apply for the mentioned funds, SMEs find themselves missing out on funding opportunities and becoming discouraged to apply. This indicates a need for more support around R&D funding opportunities for SMEs. It is even challenging for SMEs to participate in public sector contracts, which are often seen

as prohibitively bureaucratic, time consuming and expensive. Since 2016, direct SME spending in public sector procurement has dropped from 25% to 21% according to the British Chamber of Commerce's most recent [SME Procurement Tracker](#). In part this may be due to not enough support and guidance being given to SMEs to navigate public procurement requirements, including the more recent PPN 06/21 which requires public contracts worth more than £5 million to present a net zero plan as part of the tender. Whilst an SME may not be directly bidding for a contract of this size, they may be a sub-contractor or part of the supply chain of a large company, meaning they may be indirectly required to comply.

**Recent Progress:** Promisingly, Government initiatives to encourage and support SMEs to decarbonise have started to emerge – such as a dedicated section in the 2023 Net Zero Review, the UK

consultation on energy use (BEIS, 2019) and the 2021 launch of the [SME Climate Hub](#) ahead of COP26. The wider private sector has also been active, with COP26 SME engagement initiatives like Planet Mark's Zero Carbon Tour and both Google and Amazon hosting free sustainability workshops for businesses. We also saw the development of the UK Government Transition Plan Taskforce Framework, released at COP27, although this focuses on developing a net zero plan for listed companies and financial institutions. Despite these initiatives, SMEs report experiencing difficulty in accessing reliable and relevant information that provides clear guidance for specific industries and company sizes. Very few policies or guidelines apply directly to SMEs to engage them in the transition. It is therefore critical to develop tailored incentives, regulation and legislation to empower SMEs to play their part in achieving the UK's 2050 net zero target.



## Section 3 Key Findings

There is ample evidence of the urgency to increase awareness within industry, government and the SME sector itself about the crucial role of SMEs’ participation in the decarbonisation process, and to provide a platform that amplifies their position at national level.

The SME sector is complex, due partly to the diversity of businesses and their sometimes relatively informal operations. The process for encouraging SMEs involvement in the net zero transition needs to take these factors into account.

The following insights combine views from participants in roundtable discussions, an online survey, separate industry and policy research and Amazon Small Business Accelerator & Planet Mark’s expertise in supporting small and medium enterprises on their road to net zero.



I enjoyed being around **like-minded individuals** sharing their experiences in trying to make sustainability improvements. I also feel proud that our contributions will hopefully go towards **influencing Government decisions**.



**Andrew Reene**  
Health & Safety and Sustainability Manager  
Sleepzee Ltd.

Cross-Sector Barriers & Opportunities		
Area	Barriers	Opportunities
<b>Regulation</b>	<p>No UK strategy specifically targeted to support SMEs in their decarbonisation journey.</p> <p>Limited time frames between regulation being published and deadline required to implement.</p> <p>Lack of an effective reference point dedicated to SMEs.</p> <p>Complex language.</p>	<p>SMEs should be given a voice in net zero policy development, likely through business networks like the IoD, FSB and Planet Mark.</p> <p>Legislation set for large organisations should include reference to the impact on SMEs in the supply chain.</p> <p>Creation of a long term net zero policy roadmap and a dedicated SME Net Zero Framework (e.g. initiative proposed by B4NZ at COP27).</p> <p>Promotion of a single reference point for SMEs to understand net zero policy and funding opportunities (e.g. UK Business Climate Hub).</p>
<b>Funding and Finance</b>	<p>Lack of awareness of existence of adequate financial mechanisms and incentives.</p> <p>Disparity of programs and incentives between UK nations and local authorities.</p> <p>Funding gap for the scale-up of sustainable products and services after a successful pilot.</p>	<p>Improve communication of existing incentives and programs to increase take up.</p> <p>Large businesses should partner with SMEs to innovate and facilitate their decarbonisation journey.</p> <p>Creation of green tax incentives and other funding mechanisms.</p> <p>Bridge-funding to help successful pilots reach commercial scale through public and private support (e.g. net zero catapult network).</p>
<b>Infrastructure</b>	<p>Perceived lack of Electric Vehicle (EV) charging infrastructure development is acting as a barrier for SMEs to switch to EVs.</p>	<p>Accelerate development of EV charging infrastructure and awareness campaigns for SMEs to gain confidence in the network.</p>
<b>Information/ Data</b>	<p>Lack of data in some sectors.</p> <p>Currently a high cost to obtaining adequate metrics.</p> <p>Greenwashing and Green-hushing risks.</p>	<p>Identify success stories that have cross-sector relevance and develop methods to disseminate these learnings.</p> <p>Develop frameworks for industries to adhere their communications to (e.g. Ad Net Zero for the advertising industry).</p>

## Section 2: Key findings

### 2.1 Barriers

This review recognises a range of specific barriers faced by SMEs across different organisational structures, industries, and locations. It also seeks to highlight fundamental obstacles commonly shared, such as lack of expertise and dedicated funding to measure and monitor emissions and to implement energy and waste management strategies.

#### Lack of Resources

Financial costs rank as one of the top barriers for decarbonisation and sustainability in general ([NO NET ZERO WITHOUT SMES, OECD, 2021](#)). This has historically been underpinned by a difficulty demonstrating short-term return on investment, particularly in an uncertain economic climate. The effects of the pandemic are still being felt by SMEs, and now the cost of living crisis is adding to this pressure, as highlighted by the [FEDERATION OF SMALL BUSINESSES \(FSB\)'s](#) National Chair, Martin MacTague: “The cost of living crisis starts with the cost of doing business crisis”. With cost of inputs rising at record rates, SMEs take a direct hit, affecting their ability to invest not only for expansion, but to implement decarbonisation measures in the process like upgrading infrastructure, fleet and equipment.

Time is money! As highlighted by [Small Business Britain](#) in their recent report, Small Business Sustainability: Insights & Implications, lack of time comes only second after access to finance as a key barrier to reducing carbon emissions for the SME sector, followed closely by a lack of internal resources. Even though regulation or complicated sections in tender documentation are not always applicable

to SMEs, they still report spending valuable time and money in an effort to comply with requirements from their larger clients, and not always with a successful outcome.

#### Outdated and Inadequate Infrastructure

While the technology and solutions supporting decarbonisation strategies are developing at a fast pace, the upgrading of vital infrastructure across the UK is not evolving at the same rate. One of the key reasons for it is a lack of jurisdictional control around land and access to suitable spaces which can hinder deployment of solutions as early as in the planning stage. Less than adequate infrastructure can create poor user experience when alternative, sustainable technologies are being implemented more widely. Whilst companies may be keen to take advantage of EV schemes for company fleets, obtaining buy-in from sales teams concerned about “range anxiety” due to a perceived lack of charging infrastructure, etc. it may still be a tall order. Access to sustained, cohesive infrastructure that supports the user experience element of the transition by providing effective connectivity and networks is vital to accelerate adoption.



We have an underdeveloped reversed supply chain in the UK, and we need local solutions to add value or **subsidise** some of the costs incurred in managing waste streams effectively. In Scotland, for example, where we have lots of SMEs, one of the **key barriers** is that we have lots of waste, but more is needed to make recycling profitable.



**Aineias Karkasinas**  
Sustainability Engineer,  
National Manufacturing  
Institute Scotland, UK

#### Accessibility

There are a perceived lack of programs and incentives to guide and subsidise the transition into a less carbon intensive operation. Organisations seem to suffer information overload, as there is no centralised point of reference to answer queries. The lack of a single-point of reference to access information has been identified by SMEs as a common barrier. Which regulations do they need to pay close attention to? Which policy consultations would it be valuable for them to participate in? Which incentives, grants and support programs are they eligible for? There is a need for clear guidance and discovery tools that allow SMEs to answer these questions. Funding opportunities are also challenging to access, and there seems to be a funding gap for medium to large businesses.

#### Limited Scope of Regulation

There is often a limited time frame between regulation being published and the deadline for implementation. Furthermore, most regulation currently affecting SMEs is passed down predominately through procurement specifications from large organisations, funding bodies or tenders purchasing

SMEs' products or services. Where targeted regulation exists, SMEs report insufficient guidance to help them understand how regulation will affect them, and how to implement it. More straight-forward instruction is needed, as SMEs are often stretched in terms of capacity to analyse options and develop adequate implementation strategies.

The sector could also benefit from increased participation at consultation stage, particularly to support companies who are already developing solutions to reduce emissions, or those operating with sustainability, circularity and regeneration at heart. For instance, whilst “the recently published sustainable packaging legislation on Extended Producer Responsibility (EPR) is viewed by some sectors as an opportunity to reduce the amount of packaging and energy used, subsequently benefitting from cost savings, it focuses predominantly on end-of-life recycling strategies”.

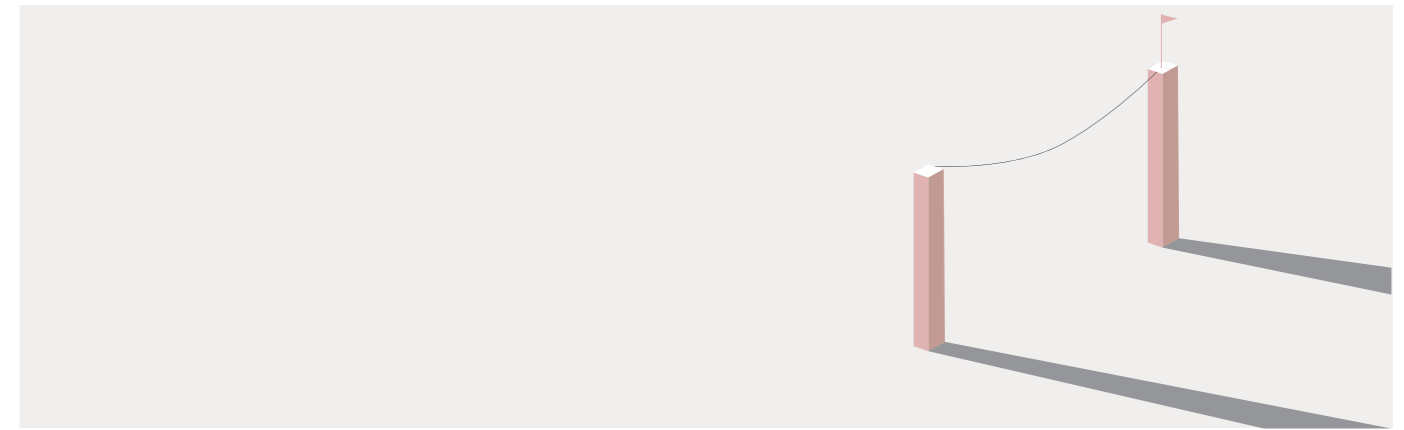
Policy development needs to take the next step and consider similar guidelines for strategies that sit higher in the waste management hierarchy, such as packaging reuse or the use of home compostable plastics in storage or packaging solutions.



We have experienced **modifications to existing regulation** and standards around compostable and biodegradable materials that allow for sub-sections that incorporate bio-materials that contain fossil fuel elements in their mix, which triggers a **plastic tax** to be unfairly applied to the entire section.



**Bruce Bodio**  
Co-Founder & CEO,  
BioViron International,  
Swindon, UK



## Section 2: Key findings

### 2.1 Barriers continued..

#### Education & Information

There is a general lack of awareness and access to high-quality information and education around sustainability. This is true at a general level, but tends to be more acute in specific areas such as packaging legislation, carbon reduction, offsetting, carbon neutrality, net zero, biodiversity and regeneration. Even those SMEs who are familiar with these terms may lack the know-how to translate the theory into real-term, practical solutions for their own operations. Most of them report identifying a starting point as one of the most overwhelming tasks.

Some are concerned about the risks posed when suggesting alternative solutions to support clients' own demand for expertise and knowledge on these topics. They are often weary of constantly evolving regulation that can render procurement policies obsolete at relatively short notice for all parties involved by the time that it comes onto their radar.

This lack of understanding can also lead to unintentional greenwashing. Companies report becoming disillusioned as they see competitors, suppliers and even clients

all benefiting from the same sustainability marketing advantages without appearing to carry out the same level of due diligence. One example shared was seeing terms like carbon neutral or net zero being used within marketing without evidence of clear targets or plans for Scope 3 emissions management, which an average consumer may not pick up on.

An additional factor cited around education is the need to take inclusivity into consideration. Policies need to address sectoral and regional geographic idiosyncrasies, whilst keeping in mind the global reach in which a vast number of SMEs operate. Engaging in effective and timely communication between industry bodies, regulators and the wider business sector to share best practice is seen as a great tool. This can help build confidence, support a transition period, and accelerate the adoption and implementation of targeted measures.

The standards industry can provide great support for SMEs to understand and navigate the net zero landscape. However, there is still a need for further guidelines, especially for organisations that are in

a growth stage and are starting from a low emissions baseline. For a lot of SMEs, it will not be feasible to reduce emissions by 90% from their baseline to comply with the steps required as part of a net zero strategy, in large part because they may have put good sustainability practices in place from the outset.

Our recent survey and research show that there seems to be a **disconnect between the term net zero and carbon reduction**. Some companies are not making the connection. Leading with net zero as part of the messaging may not be the right approach for some businesses. Talking about energy bills and carbon emissions will get traction but **net zero is not yet as tangible**. Awareness will grow over time but net zero does not yet resonate with all.



**Jonny Sadler**  
Strategic Decarbonisation  
Manager, Electricity  
North-West, UK



## Section 2: Key findings

### 2.2 Opportunities

Though there are clearly barriers for SMEs participation in the net zero transition, there are also numerous beneficial opportunities, not only for the businesses, but also for their wider industry and communities.

#### Add SMEs to Policy

Whilst legislation is focused on large businesses, there is an opportunity to incorporate specific reference to smaller firms who would benefit from clear and relevant guidelines. This can help SMEs avoid the costs of dealing with unanticipated updates to procurement policies, which can result in an urgent investment of resource to adapt to

requirements, or loss of business. Large organisations have an important role in bringing smaller businesses up to speed with their transition through knowledge-transfer and introducing targeted initiatives to support SMEs in their value chain.

Being part of a large corporate supply chain provides SMEs opportunities to learn and gain access to resources, and also creates a space for mutual collaboration.

We benefit when one of our supplier's larger customers demands a change. If we are the only ones pushing, then we get a more mixed reply.



**Victoria Wells**  
Apollo Fire Detectors,  
Havant, UK

## Cost Savings

According to the Climate Change Committee's [Sixth Carbon Budget](#), the rapid transition to a low carbon economy presents opportunities in almost every sector. Recent advances in technology and other types of low-carbon solutions have started to provide smaller organisations with wider access to previously costly alternatives.

Electricity North-West's Jonny Sadler shared a number of suggestions on off-the-shelf solutions that can help SMEs to reduce Scope 1&2 emissions with relative ease and swift payback turnaround, including:

### Energy management:

Identifying, monitoring and optimising energy performance on a regular and periodic basis. Requiring little or no capital investment and can reduce energy costs by up to 30%.

### Energy efficiency:

Upgrading lighting systems, including replacement with LED, motion sensors and educational initiatives. LED installations, for example, average 12 to 24 months payback.

### Onsite renewables:

In the environment of rising electricity prices in 2022, distributed PV became an increasingly attractive alternative for many consumers, which has driven investment. This averages as a 3 to 4 years payback period, - whilst only one or two years ago, this would have been in the region of 10 years.

### Heat pumps:

Adoption of these is growing rapidly, but there is still not a huge amount of data on payback periods and return on investment as the market is developing.

### Electric vehicles:

A Transport for Greater Manchester study reports payback periods of 3 years for electric vehicles covering 25k miles per year, through reduced fuel, maintenance and vehicle taxes. The Government is providing £2.5-£25k Plug-in Grants to help reduce the up-front costs of electric vehicles, ahead of cost parity with petrol and diesel vehicles, which we expect to be around the mid-2020s.



### Similar to their larger counterparts, SMEs can also benefit from strategies supporting decarbonisation, whilst encouraging sustainable growth:

- 1 Energy-efficiency management strategies that result in cost reductions on charges.
- 2 Improved transparency in their product sourcing, reflecting changes to consumer purchasing behaviour and increasing demand for sustainable alternatives.
- 3 Development of alternative business models that provide additional revenue streams through circular principles.
- 4 Future-proofing the business against the changing regulations that may affect existing business operations.

## Section 2: Key findings

### 2.2 Opportunities continued..

“

When the right technology is applied to a **focused purpose**, such as in the built environment, the solutions can be very exciting: From companies using **robots to pump insulation** without having to remove floorboards, to prefabricated retrofitting walls that can be added to the side of buildings, saving time, materials, labour and funds.



**Heather Baden**  
Innovation and Sustainability Lead  
Metta, UK

### Business Model Innovation

Fostering partnerships between larger businesses, academia and the SME sector to develop alternative solutions to systemic problems has long proven a successful strategy for advancing innovation.

Initiatives can provide not only financial support, but know-how, infrastructure and networks to pilot programs and solutions that can then be deployed and validated by smaller, agile enterprises. Targeted funding that is appropriate for the stage of innovation development is highly sought after, particularly in scaling solutions that have proven successful at pilot phase, which seems to be a current funding gap. Addressing innovation through systems thinking can help develop more ambitious frameworks.

There is a role for online marketplaces to encourage awareness, education, training and incentive opportunities for SMEs for things like sustainable packaging regulations. In particular, sharing how they can implement best practice that minimises waste and encourages use of sustainable packaging solutions.

### Gaining Recognition

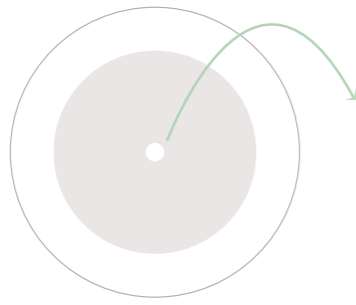
Purpose-led organisations have proven effective in attracting and retaining strong talent. They can offer a differentiation where personal values can go hand in hand with advances in technology but also a shared vision individuals can identify with.

By formalising their climate action plans, organisations are making a statement that is attractive for eco-conscious customers. Improved transparency in their product sourcing, reflecting changes to consumer purchasing behaviour and increasing demand for sustainable alternatives.

SMEs are also finding that they benefit from receiving external third-party recognition of their efforts through schemes like the [Climate Pledge Friendly initiative](#) by Amazon, or [Planet Mark Business Certification](#), which both help businesses and products be recognised by consumers as having strong sustainability credentials. Continuing to ensure that these schemes are as accessible for SMEs as possible is essential.



In 2020, the UK produced **309,000** tonnes of flexible plastic packaging



But only **8%** was collected for recycling

The Flexible Plastic Fund aims to get everyone in the **flexible plastic chain** collaborating to bring flexi back.

(PLANET MARK)

### Digitisation & Tech

Access to data, technology and digital solutions can support businesses analysing their value chain not only to optimise, but to create further value, alternative sources of revenue and brand recognition.

The industry can provide guidance to feed expertise, offer dynamic connectivity, information systems and shared infrastructure that limits the number of finite resources that may otherwise be utilised. Opportunities from the adoption of digital solutions can be considered from two angles:

- The sustainability impact of the technology itself, i.e., the material source and input utilised to create a product or service.
- The knock on effect: the output of the solution when applied to business as usual in wider industry.

This is particularly important in the context of technology's impact on Scope 3 emissions. For instance, businesses can monitor emissions from the use of data centres and website hosting facilities and collaborate with suppliers to better understand potential efficiencies in energy use.

### Manufacturing

According to recent research by [Make UK](#) and [Siemens](#), nearly half (46%) of manufacturing companies are already implementing decarbonisation plans, citing rising energy costs, the need to do the right thing and the rising cost of raw materials as key factors in accelerating their efforts.

The industry also presents several opportunities to accelerate decarbonisation, creating a sense of shared responsibility and transferring experience and learnings within their ecosystem to nurture awareness and foster innovation.

Manufacturing thrives by making processes more efficient. Sustainability can be seen as a metric of success, due to its direct parallel with effective supply chain management, optimising use of materials and reducing waste.

By offering incentives or discounts on future products or services to their clients, manufacturers can amplify the benefits of operating within sustainable parameters and help shift mindsets and behaviours around sustainability.

Manufacturers can also develop partnerships with the ener-

gy sector through regional distribution networks who deploy incentives that encourage organisations to use or generate electricity in a more flexible way to better manage grid capacity and demand. Through these schemes manufacturers with a high energy demand can benefit from new revenue streams and energy strategies that also support their overall energy management and efficiency.

Measuring, monitoring and managing waste streams can help companies to identify value that is being lost throughout their product chain and processes. By working collaboratively between design and manufacturing, waste streams can at least be reduced or eliminated from operations altogether.

For example, Amazon's "[Compact By Design](#)" certification identifies products that have a more efficient design by removing excess air and water to require less packaging. At scale, these small differences improve shipping efficiency and lead to significant carbon emission reductions.

## Section 2: Key findings 2.2 Opportunities continued..

for a circular economy model: recycled aluminium, for example, requires 95% less energy than virgin aluminium. This suggests that packaging companies could be leaders in increasing recycling rates."

There is also a surge in regenerative solutions. Some of the innovations around plant-based, biodegradable and/or compostable alternatives for polystyrene are experiencing increased demand. For example, companies like BioViron report significant opportunities emerging in the high value product space:

- Art galleries and museums, who are regularly reviewing packaging solutions are adopting compostable materials to replace the use of polystyrene for example.
- The health industry has also influenced advances through their demand for high-tech solutions for storage and transport of organs and medical supplies.
- Vegan leather goods companies are using compostable packaging as part of their product offering, and not only as an additional element.

Keri Amschela, founder of luxury leather accessories brand Amschela, focused on building a full packaging solution that underpinned their sustainability strategy, and took the opportunity to take customers on their journey. This not only provided an educational asset, but also reinforced the credibility of the brand and is an integral part of their success story.

## Packaging

### Recycled aluminium requires 95% less energy than virgin aluminium

GlobalData



Over the last decade, the packaging industry has taken significant steps toward developing environmental strategies that support efforts to combat climate change.

Innovation around the reduction of materials used, research into plant-based alternatives, the use of more recycled materials and a nudge towards end user behaviour on reusing and repurposing packaging has accelerated the industry's efforts to reduce emissions from production and transportation.

With a varying range of materials used, from plastic, to paper, to metals, the strategies available are equally varied, providing opportunities for innovation. UK-based data analytics company [GlobalData](#), reports that "metal packaging companies are pushing



2022-09-30 - Sustainable Packaging | Bristol | Roundtable

In 2019, UK cosmetics company, Lush launched its “[carbon positive](#)” packaging. Made from biodegradable cork, the packaging pods support regenerative cork forests in Portugal and are shipped via sailboat—meaning their supply chain returns more carbon benefits than it extracts, according to Lush. The food and drinks industry, at commercial, hospitality and domestic level, is benefiting from several initiatives that support decarbonisation, including the wide range of available options in recycled materials used for dispensing, storage and transport. For example, returnables replacing single-use plastic during entertainment and sporting events (e.g. STIRZ) and the increase in refillable stations in retail, etc. London based Sapling Spirits use Eco Boxes with their bar and restaurant clients, so that

bottles can be refilled and reused. They report refills reduce carbon footprint by around 25% and it is also a more economical option, with 85% of their sales now dispensed through this method. Large businesses are also supporting SMEs in their value chain. For example, Amazon has switched single-use plastic delivery bags to recycled paper bags and cardboard envelopes for all orders shipped from its European Fulfilment Centres. This includes items from third-party selling partners using Fulfilment by Amazon, many of whom are SMEs.

Through a combination of understanding the advances made by larger companies and agility to adapt operations, SMEs have a great opportunity to benefit from the emergence of alternative and greener solutions.

“ We are currently working on Scope 3, the **most difficult** task so far - although we have mapped categories extensively, we are not there yet, but it feels like **cheating** if we only focus and report on Scopes 1 & 2.



**Vikki Morris**  
Environment & Sustainability  
Manager, Evans Vanodine,  
Preston, UK

## Section 2: Key findings

### 2.3 Policy and Regulation

Our review has identified a clear impact on SMEs from regulatory demands for larger organisations being passed down the supply chain. The recent launch of the [ISO Net Zero Guidelines](#) at COP27 is useful as an internationally-recognised framework, but to best support SMEs to service the increasing demands from their client base there is a need for targeted policy that helps SMEs specifically to formulate and implement net zero plans. There must be a mechanism for SMEs to be given a voice in net zero policy development, likely through business networks like the Institute of Directors (IoD), Federation of Small Businesses (FSB) and Planet Mark etc.

SME-specific regulation, as highlighted by [TICKELL AND ROBINS \(2020\)](#), will require the development of a clear roadmap, with timelines and phased goals as well as specific targets that acknowledge the widespread variation in SME contributions to carbon emissions and sectoral challenges. This regulatory framework will require a strong awareness campaign that also makes consequences of inaction clear and has a strong consistency across different jurisdictions and regions of the UK.

#### Address gaps in emerging industries

Peer-to-Peer second hand market platforms can create waste streams that go largely unaccounted for. Smaller operators would benefit from targeted education at a

user level by platform providers to disseminate guidelines and resources that help them to choose the best packaging and materials to service their transactions and reduce waste.

#### One example illustrating the impact of regulation for SMEs

Some of the regulations already in place, such as the UK Government’s Plastic Packaging Tax (PPT) introduced in April 2022, intend to discourage single-use plastic in favour of recycled plastic. PPT applies to packaging that contains less than 30% of recycled plastic. The launch in 2023 of the Extended Producer Responsibility (EPR) for Packaging legislation, introduces a further obligation to meet the full net costs of the collection, sorting, recycling, and disposal of packaging waste.

It aims to encourage businesses to help improve the UK’s recycling rate from 45% to the target of 65% by 2030 and incentivise producers to update product design by making it easier to reuse or recycle their products. Whilst these initiatives are welcome and will likely enforce the use of more sustainable materials as they become the cheaper option, their primary focus is on recycling. Under current regulation, compostable and biodegradable packaging materials are not recyclable, and as such, incur in the higher taxable fee.

“ There is a **lack of** appropriate and uniform category setting and **legislation at global level**, which makes it difficult for companies who need to import plastic goods, such as non-black plastic plant pots - which are mostly recyclable in Europe, but bear **no identifiable source** or confirmation of provenance, and therefore also fall under the **higher taxable fee**.



**Liz Williams**  
Sustainability Executive  
Horticultural Trades  
Association, UK



## 2.4 Funding

Inadequate access to funds should not be a barrier for companies that are working to achieve lower carbon emissions either through their operations or through their provision of low-carbon products and services.

De-risking early investment on initiatives that accelerate these solutions has proven to deliver the desired outcomes. Several sectors, such as renewable energy, have surged as a direct result of strong financial support from government, institutional and private investment. Initiatives from development finance institutions, such as the issuance of green/climate bonds to raise capital that can then be redirected towards projects that accelerate the net zero

transition are very much needed. SMEs could benefit from straightforward information on the opportunities offered by these financial mechanisms and more effort to make them accessible for SMEs to meet the requirements. Government and regulators can strengthen incentives that support first-movers and expand the application of low-carbon solutions.

The responsibility should not only be on businesses to seek the appropriate funding and incentives. Government should improve efforts to communicate the availability of funds that businesses can access to develop sustainable initiatives. Developing stronger and targeted initiatives like **de-risking debt** and

There is also a requirement to bridge funding - where a pilot shows success and potential, we now need conversion funding to scale for impact.



**Maria Loria**, Founder, WearMyWardrobeOut, Bristol, UK

the launch of environmental tax credits that encourage the private sector to finance these projects is essential not only to develop climate solutions but also to scale up their viability and impact.

SMEs report being aware of and making some use of R&D tax credits, grants and awards through Innovate UK, local council initiatives and partnerships with academia as a source of funding opportunities. However, the strain on their limited resources and the time it takes, often prevents many from seeking support via these programs. This is worth being considered by government as part of the current efforts to reform R&D incentives.

The development of partnerships with larger corporations to obtain funding through invoice finance for example, can support organic growth. SMEs perceive a lack of innovation around funding allocation - the incentives are many, but so are the limitations: projects tend to be “shoehorned” to either

facilitate too large or too small projects, are often restricted to urban areas and heavily focused on technology-based solutions.

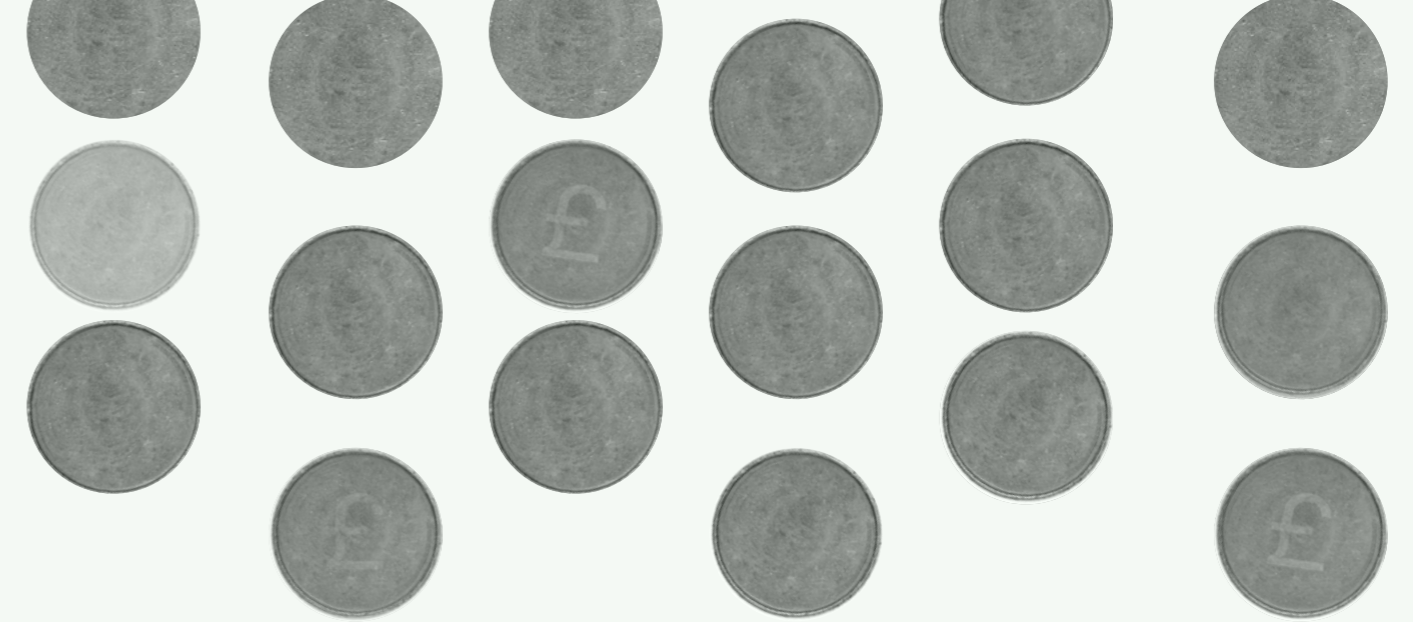
The [Green Finance Institute](#) reported in 2021, that “the retrofit industry, which is today made up mostly of SMEs, will need to grow by at least a factor of 10 to achieve the retrofit revolution to address 23% of UK emissions”.

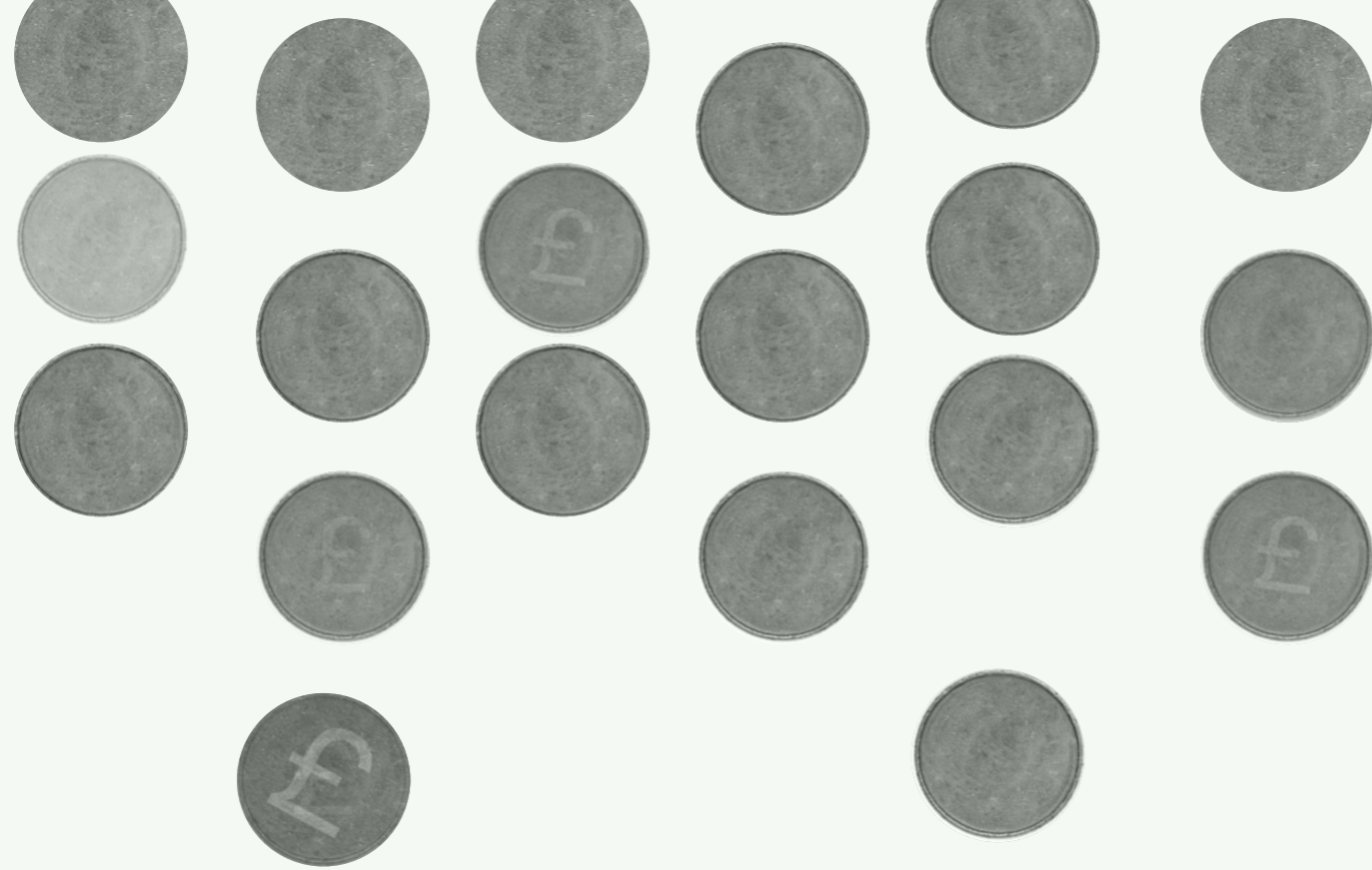
They recommend “adding green criteria to existing public finance schemes” to attract private capital. A number of SMEs are not only homeowners, but operate their businesses from home too. Similar solutions and incentives to decarbonise their dual-purpose premises can help to meet the up-front costs linked to the implementation of low-carbon initiatives.

Another idea to enhance collaboration between large organisations and their SME suppliers included the introduction of an apprenticeship levy style funding mechanism. The benefits from this incentive

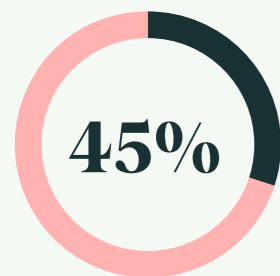
can help create a “ring-fenced” source of tax-efficient funding within large corporates which can be used to better equip and upskill smaller suppliers in their decarbonisation process, thus having a direct impact on Scope 3 emissions reduction strategies for the larger entity.

Organisations like the British Interactive Media Association ([BIMA](#)) propose the creation of Environmental Tax Credits that will support organisations to transition to low-carbon solutions at various levels, from the consideration of carbon neutral pension schemes, to capital expenditure on energy efficiency and on-site generation projects. “The goal is to make the ethical choice the practical one. If a company adopts an ‘approved’ green scheme, it should benefit from Government incentives. And like existing R&D tax credits, those incentives should be easy to find, easy to understand and easy to claim.” (BIMA Sustainability Council and affiliated business leaders).





**45%** of SMEs stated they would find an emissions tracker helpful in the process of analysing levels of funding and solutions needed to kick-start their decarbonisation strategy.



NATWEST PARTNERSHIP WITH  
CoGo, 2022

Private sector initiatives that encourage and facilitate the benchmark and monitoring of emissions for SMEs are being well received. [The UK Business Climate Hub](#) provides SMEs with a free carbon footprint estimation tool using spend-based accounting that gives a high-level first look at what their emissions might be. Targeted initiatives emerging like [Innovate UK's investment of up to £1.5 million](#) in circular economy innovation projects, demonstrate how this targeted funding can impact SMEs. It encourages them to engage with and benefit from access to expertise at five research centres and hubs via collaborative research

and development activities. The aim of this competition is to support feasibility studies, industrial research and experimental development projects that address the challenges of transitioning to a circular economy. The breadth and reach of this type of initiative remains quite limited and at times, restricted to the academic ecosystem.

More efforts are needed from the government and institutions to make these opportunities known to the wider SME community so they can benefit not only from the finance, but the expertise element incentives of this nature can deliver.





Planet Mark is a sustainability certification for organisations and real estate that recognises continuous improvement, encourage action and builds an empowered community of like-minded businesses who make a world of difference. Planet Mark supports a community of 600+ certified organisations on their journey to net zero. Certification can help your business to strengthen your Environmental, Social and Governance strategy, contribute to the United Nations Sustainable Development Goals, and set credible net zero carbon targets that align with the Science Based Targets Initiative (SBTi)'s Net-Zero Corporate Standard.



The Amazon Small Business Accelerator serves the evolving needs of the UK's thriving small business community. It is a free educational programme that has supported over 600,000 SMEs so far with a suite of free-to-use resources for all startups, entrepreneurs and small or medium-sized businesses.

Current and aspiring business leaders can access more than 20 courses and 50+ videos of content on topics like how to build a business online, supercharge operations, grow sales, achieve net zero and other best in class insights from the country's small business experts and Amazon leaders.

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- Cambridge Institute for Sustainability Leadership
- Cambridge Wireless
- Carolina Connor
- Climate Associates
- Daikin UK
- Ecosurety
- Electricity North West
- Enterprise Made Simple
- Evans Vanodine
- Exponential Changemakers
- H/Advisors
- Habbio
- Horticultural Trades Association
- Howard Tenens Limited
- Investors in the Environment
- Karfu
- Kast Energy
- KISS
- Loadhog
- Metta
- National Manufacturing Institute of Scotland
- Planet Mark
- RevLifter
- Simba Sleep
- SMD Textiles
- Sleeppeeze
- Solo Service Group
- Stephen George & Partners
- STIRZ
- Sustaineers Consultants
- TBT Marketing
- The Senator Group
- UFODrive
- University of Cambridge
- Wear My Wardrobe Out



## Wider Reading & Resources

Free Net Zero e-Learning modules	
<b>Online Course</b>	<a href="#">Understanding Net Zero Commitment, and the Benefits to your Business in Partnership with Planet Mark   Small Business Accelerator   Online Learning (amazon.co.uk)</a>
<b>Online Course</b>	<a href="#">How to get to Net Zero Short and Long Term Actions in Partnership with Planet Mark   Small Business Accelerator   Online Learning (amazon.co.uk)</a>
<b>ISO Net Zero Guidelines</b>	<a href="#">ISO - Net Zero Guidelines</a>
<b>UK Transition Plan Taskforce Framework</b>	<a href="#">Transition Plan Taskforce   Setting a robust standard (transitiontaskforce.net)</a>

# Recommendations for **Supporting SMEs** on the Road to Net Zero

A Planet Mark and Amazon  
Small Business Accelerator  
White Paper | **March 2023**

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