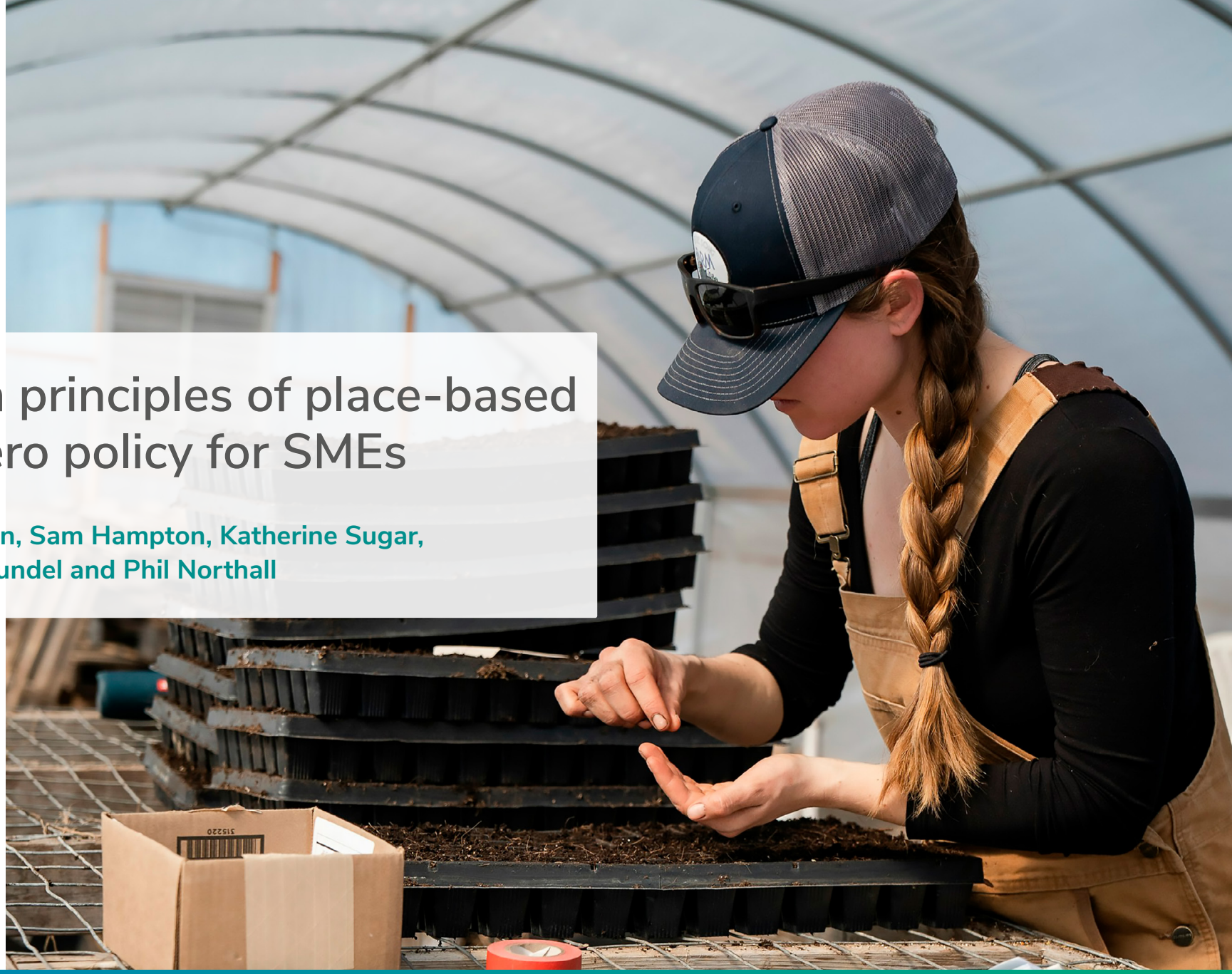
Seven principles of place-based net zero policy for SMEs

Will Eadson, Sam Hampton, Katherine Sugar, Richard Blundel and Phil Northall



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Contents

Graphical summary: Principles for place-based SME net zero policy	3
1. Introduction	4
2. A changing context for SME decarbonisation	7
3. Seven principles of transformative place-based SME governance for net zero	9
4. Recommendations for achieving transformative outcomes	23
References	26

Acknowledgements

Authors

- **Will Eadson** | Sheffield Hallam University
- **Sam Hampton** | University of Oxford
- **Katherine Sugar** | University of Oxford
- **Richard Blundel** | The Open University
- **Phil Northall** | Sheffield Hallam University

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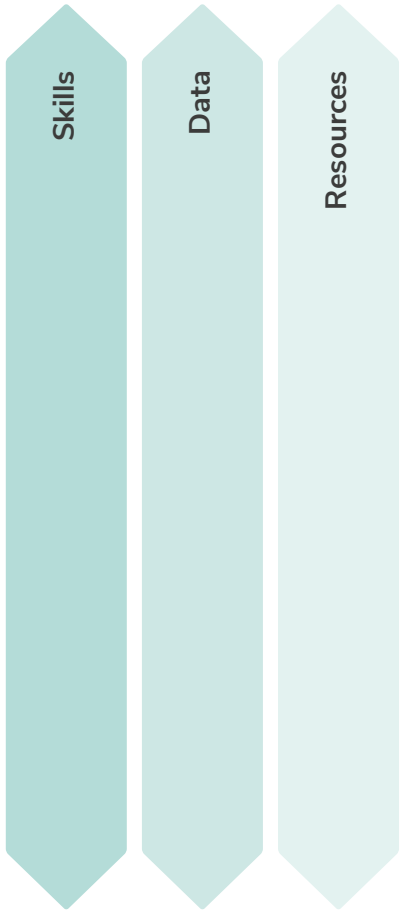
Graphical summary: Principles for place-based SME net zero policy



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Situating place-based approaches within wider landscape of (for example) sector-level, national and international governance

2. Going beyond
Ensuring that transformative approaches address both 'harder to reach' and 'harder to tackle' SMEs

3. Change points
Making every contact count with SMEs to engage and mobilise action, especially key moments of business change

4. Systemic solutions
Ensuring that SMEs are included as stakeholders within wider place-based decarbonisation programmes

5. Clusters
Supporting local sector-specific solutions where there is a strong presence within one industry

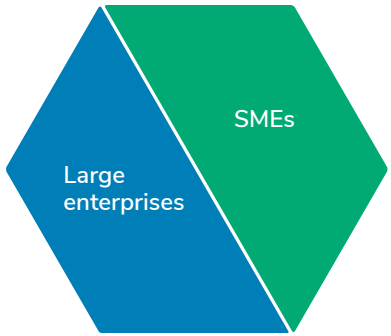
6. Whole place
Shared solutions at sub-local levels such as high streets or business parks

7. Coordination
Coordinating across networks and provides, including links into national and sector-level activity, and between places

1. Introduction

This report draws together findings from the UK Energy Research Centre **SME Governance for Net Zero** project ('GoZero') and the **South Yorkshire Sustainability Centre** (SYSC) Just Transition programme to develop seven key principles for place-based approaches to decarbonising small and medium-sized enterprises (SMEs). It is one of a series of publications linked to the GoZero and SYSC projects examining existing and potential governance approaches for SME decarbonisation across different scales and jurisdictions.

Figure 1.1: SMEs collectively account for as many carbon emissions as large firms



SMEs – businesses with up to 250 employees and turnover under £50m – are essential, yet largely neglected actors in the UK's energy transition. Collectively, SMEs consume about 50% of commercial and industrial energy; and produce a similar proportion of emissions. SMEs are increasingly recognised for their important role in responding to the decarbonisation challenge in the UK and globally, but the policies and support arrangements remain relatively underdeveloped.

A diverse array of initiatives has sprung up in recent years, led by local and national government, NGOs, private sector bodies and sector-based networks. At the same time, many SMEs have taken actions to decarbonise their business, given further impetus by recent energy price shocks. Yet this action by SMEs and support providers is relatively uncoordinated and less effective than it could be. SMEs struggle to find reliable, relevant information on pathways to achieving net zero, while policymakers struggle to respond effectively given the sheer heterogeneity of the SME population and the relatively informal nature of firm-level decision-making.

The GoZero project aims to tackle this challenge through research to support better governance solutions to deliver transformative change in SMEs.

Recognising both the importance of place as a factor in effecting change, and the focus of many existing initiatives on place-based support, this report focuses on the place-based governance challenge. It asks:

- What are existing approaches to place-based SME decarbonisation?
- How do these approaches interact with national, and sector-based approaches to SME decarbonisation?
- What can existing approaches tell us about principles for effective place-based SME decarbonisation approaches?

We answer these questions through drawing on our findings from the research we have conducted across five UK places, and five sectors.

About the study

GoZero is a two-year research project providing a robust evidence base to support governance of SME decarbonisation across the four UK nations. Through the project we have mapped the UK's SME decarbonisation policy landscape, and provided a more detailed empirical understanding of the attitudes and actions of SME owners and managers and a variety of governance stakeholders.

The project applied two intersecting case study-based lenses: five place-based case studies and five sector-based case studies. This allowed us to examine many different interactions between types of SME and governance stakeholders. The five places were chosen to reflect different governance arrangements, geographies (including coverage of each of the UK's four nations) and decarbonisation challenges:

- **Belfast City Region**: challenging governance context; limited low carbon action to date
- **Edinburgh and South East Scotland**: City Deal region; mixed record on low carbon activity
- **Oxfordshire**: two tier English local authority; historic track record of low carbon business activity
- **South Yorkshire**: Mayoral Combined Authority; industrial legacy with limited support, mixed record on low carbon action
- **Swansea Bay**: context of Welsh Government's Wellbeing of Future Generations Act; industrial legacy but supported through UK industrial clusters policy and significant renewable energy growth

Similarly, the five sectors were chosen to reflect different types of industrial activity – across primary, secondary and tertiary sectors – and a variety of potential decarbonisation pressures. The five sectors are:

- **Horticulture**: primary sector; mixed emissions sources; complex supply chain; Defra responsibility rather than DESNZ
- **Metals production**: secondary sector; large emissions; complex supply chains; significant lobbying and sector representation across sector
- **Construction trades**: secondary sector; complex emission reduction possibilities; high potential to influence others; complex governance – overlaps with planning and building control
- **Restaurants and cafes**: tertiary sector; Scope 3 emissions important; fragmented governance but with sector bodies and private sector decarbonisation initiatives
- **Hairdressers**: tertiary sector; high potential to influence others (e.g. customers); limited governance

Findings from the policy mapping exercise were combined with interviews with 75 governance stakeholders, including national government representatives, cross-sector initiatives, sector-based initiatives, and place-based organisations and initiatives. These data allow us a comprehensive view of existing approaches to place-based governance of SME decarbonisation. Building from existing approaches, insights from the wider literature, and stakeholders' views, we have used the research to propose principles for effective place-based governance of SME decarbonisation.

2. A changing context for SME decarbonisation

Every business needs to radically reduce its carbon emissions if international climate goals are to be met. The challenge is increasingly urgent. Yet this urgency has not filtered through to policy for SMEs, which have been largely neglected in decarbonisation policy.

According to one recent report, existing SME decarbonisation support programmes have reached less than one per cent of England's 4.8 million small business and self-employed workers. The same report highlighted research by the Federation for Small Business (FSB) which found only nine per cent of SMEs had measured their carbon footprint.

There is a need for a step change in policy approaches to business decarbonisation. While existing approaches have supported incremental change, there is now a need for transformational change in the business support landscape to support transformational change in business practices.

While the challenge is huge, the multiple economic, social and environmental crises of the last two decades could provide a window of opportunity for transformative change.

Our research suggests that the combined impacts of the financial crisis, Covid-19 pandemic, and energy crises have prompted what might be the beginnings of a shifting social contract between business and society. This has been accompanied by a significant shift in government support provided to businesses and their workers to help them weather these storms. These events have expanded the scope of policy intervention and provide opportunities for thinking more expansively about what transformational business policy might look like, including engagement on sustainability and net zero.

This is likely to require greater emphasis on mission-focused policy, utilising the full range of tools available to governments and policy organisations. Action and coordination is required across different jurisdictions and scales, with no monopoly for international, national, regional or local action.

The main challenge for setting out a coherent SME decarbonisation policy is the diversity of the business population: the practical implications will vary substantially between each firm. Reducing the carbon footprint of a hairdressing salon with two employees in Oxfordshire is going to be a very different proposition to decarbonising a steel forging business with 100 employees in South Yorkshire. Policies also need to reflect the different roles that SMEs can play in promoting decarbonisation, including as consumers, influencers and enablers of change (Figure 2.1). Further, policies directed at SMEs cannot operate in isolation: they will interact with decarbonisation efforts targeted in different ways – such as transport decarbonisation or building retrofit – that will create different possibilities and challenges for SMEs.

Taking into account these challenges, a multi-level and flexible approach to SME decarbonisation is required. Nonetheless much focus on business support in general as well as specific to decarbonisation has been on place-based approaches. This was particularly the case for European Structural Investment Funds – the largest single source of SME support funding in the UK – which were largely devolved to regional organisations. More recently, Shared Prosperity Funds are being used to partially replace those funding sources, also devolved to local and regional organisations.

In this report we start from the position that place-based SME decarbonisation action is a necessary part of the support landscape. Given that starting-point, we ask, what principles should inform how place-based SME decarbonisation action is designed and implemented?

Figure 2.1: SME decarbonisation roles[1]

1 For a more detailed outline of these roles and their application to SME decarbonisation governance, see: Hampton, S., Blundel, R., Eadson, W., Sugar, K. and Northall, P. 2023. Don't waste this (poly)crisis: Why now's the time to scale business decarbonisation.

3. Seven principles of transformative place-based SME governance for net zero

From our stakeholder interviews and documentary review we identified seven principles which, if implemented, would lead to a step change in SME governance for net zero (Figure 3.1).

Figure 3.1: Seven principles for place-based action

1. Context
Situating place-based approaches within wider landscape of (for example) sector-level, national and international governance

2. Going beyond
Ensuring that transformative approaches address both 'harder to reach' and 'harder to tackle' SMEs

3. Change points
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4. Systemic solutions
Ensuring that SMEs are included as stakeholders within wider place-based decarbonisation programmes

5. Clusters
Supporting local sector-specific solutions where there is a strong presence within one industry

6. Whole place
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7. Coordination
Coordinating across networks and provides, including links into national and sector-level activity, and between places

PRINCIPLE 1: Seeing place within wider context

There has been significant emphasis on place-based solutions for SME decarbonisation in some parts of the UK, alongside broader support for localisation of energy and sustainability governance. Sensitivity to place is appropriate for net zero business support, given the unique economic and sociocultural dynamics which create the conditions for doing business. For example, in Scotland, SMEs have benefitted from a stable and consistent policy environment, built on consensus around the need for climate action: Business Energy Scotland (formerly Energy Efficiency Business Support Service) is the latest Scottish Government-funded scheme launched in 2022 which provides funding and advice for SMEs across Scotland. There have been several place-based SME support initiatives in Northern Ireland, but context-specific factors, including the continuing absence of a functioning Northern Ireland Assembly, have acted as a constraint on broader policy developments. In Wales, the Well-being of Future Generations Act (2015). a strategic focus on the Foundational Economy, and the Net Zero 2035 Challenge Group have each emphasised the importance of skills and education, which sets the context for its SME decarbonisation policymaking.

Photo: Swansea, Andy Watkins on Unsplash

There is also significant variation locally: for instance in England Oxfordshire operates as a two-tier local authority while South Yorkshire has a Mayoral Combined Authority which works with four unitary local authorities. Different localities are also starting from different baselines in terms of existing and previous action to support SME decarbonisation. Using the same two examples, Oxfordshire is a leader in developing networks, bringing together diverse stakeholders and attracting investment in low-carbon innovation. South Yorkshire has been less active, with few projects and informal networks operating until recently.

It is important also to acknowledge the *limits* to local action and the wider governance context for SME actions. For example, in our research we investigated the role of sector-level organisations which sometimes have concentrations of activities in particular geographic areas but generally operate nationally or sometimes internationally. While coverage varies significantly, these organisations can be important sources of connection and advice for SMEs. They also hold specialist knowledge that does not often reside within general-purpose organisations like councils, Combined Authorities and other local support providers. They are also important lobbying bodies for sectors and can be a useful linking point to national governments or international bodies.

One example of this is in the steel sector, where representative bodies like the British Constructional Steel Association (BCSA) have developed sector decarbonisation plans and work with other steel and metals sector bodies to influence government and other key stakeholders. BCSA has developed bespoke sustainability toolkits and sustainability standards for its members which offer something not likely available through local sources of provision.

Sector organisations can also provide signposting to local or regional funding opportunities or broker partnerships between SMEs, and between SMEs and R&D providers like universities. However some sector organisations also said that they found it difficult to penetrate local and regional governance arrangements, such as Combined Authorities, meaning that opportunities for joint working were not being realised.

Our research across the UK has revealed that business support initiatives focused on net zero are proliferating. Whereas just five years ago, ERDF was the mainstay of net zero SME support, there are now many more sources of advice, support and funding from both public and private sector bodies. While until recently the Department for Levelling Up, Housing and Communities (DLUHC) was primarily responsible for SME business support policy, the Department for Energy Security and Net Zero (DESNZ) are piloting an Energy Advice Service which will provide audits and advice on a local basis, as well as an online resource. Further, the Department for Culture, Media and Sport have launched a £25m Energy Efficiency Scheme for Voluntary, Community, and Social Enterprises (VCSEs).

As energy and net zero rise up the agenda across government departments, there is a need for alignment and coordination, drawing on evidence of what works most effectively for supporting SMEs to decarbonise.

Integration between different levels of government is critical and in a context where national government policy for SME decarbonisation is only beginning to take shape, this means that coordination between national, regional and local partners is necessary to ensure that policy design is joined-up. To date this has not happened, leading to a fragmented policy environment.

Photo: Abingdon, Oxfordshire, Benjamin Elliott on Unsplash

PRINCIPLE 2: Going beyond: harder to reach & harder to tackle

SME decarbonisation support programmes to date have reached only a very small proportion of businesses. A recent report from the Enterprise Research Centre described those SMEs benefitting from net zero business support as 'The less than 1% Club'. Initiatives have also tended to reach businesses who are already engaged with decarbonisation or sustainability challenges. Often this is deliberate: some places choose to focus on boosting eco-innovation by providing support to SMEs providing low-carbon goods and services. Wales, for example, chose to invest all of its European Regional Development Fund (Priority 4) allocation into supporting SMEs to develop environmental innovations. The trouble is that there are over 250,000 businesses in Wales, many of whom are struggling with the cost of energy and could benefit from support to improve energy efficiency.

Place-based organisations can be effective at engaging 'hard to reach' businesses, which tend to lack resources and connections to formal business or policy networks. Research on domestic energy efficiency has identified the importance of community stakeholders and informal networks to support uptake of energy savings measures. However, to date these capabilities have not been applied to SME support. Similar networks could be utilised, as could hyper-local informal business networks: e.g. a row of shops, a micro-business park.

Harder-to-reach enterprises are likely to be more vulnerable to change. It is therefore especially important to help them to adapt and become more resilient before decarbonisation pressures jeopardise their businesses.

Reaching harder to reach SMEs will require much more intensive efforts to engage with different SMEs. This will need dedicated outreach, making use of different community groups and networks across places. These groups might not be business-focused, instead they might be points of contact for people in different locales or different identity-based networks such as ethnic, identity, gender or religion-oriented networks. We expand on this further in Section 4.3 below.

Following this logic there is also a case for developing more focused support for businesses with specific characteristics or needs. This might include: rural businesses; business led by people with protected characteristics (such as women, BAME or people with disabilities); and more broadly small firms that are not orientated towards growth, including social enterprises.

Further, to date, initiatives such as European Structural Fund projects have tended to focus on low hanging fruit, and have been less focused on 'whole business' approaches. Arguably many of these easy wins could be achieved through signposting and advice without need for additional grants. For example, we analysed six different European Regional Development Fund (ERDF) projects in England running from 2016 to 2023.

Of a total of £4.11m worth of grants provided to SMEs from these projects, £1.60m (39%) was spent on LED lighting. As decarbonisation becomes a more pressing reality for all businesses additional focus will be needed on whole business approaches which develop deeper, more systematic solutions to business decarbonisation.

One barrier many SMEs (and their advisors) face for whole business decarbonisation is the limited availability of energy and emissions data. Only 1 in 10 SMEs have ever calculated their carbon footprint, and despite the rollout of smart meters in the UK, many businesses remain unaware of how much energy they use compared to similar organisations, nor where the best opportunities for savings may be. There is a need for business support providers to assist SMEs with monitoring energy and emissions, to help build capacity within organisations for identifying and acting on opportunities to reduce energy use and environmental impact. Doing so for large numbers, and a diverse range of SMEs remains a challenge however. An initiative being led by Bankers For Net Zero, Project Perseus, is seeking to address this issue, by using Open Data protocols to make energy consumption data available without the need for SMEs to read meters or collate data from bills. Unlocking these data at scale would help SMEs, analysts and advisors to identify opportunities for savings, to compare SMEs within and between sectors and places, experiment with different interventions, and unlock finance for investing in low-carbon solutions.

Photo: Edinburgh, Bayo Adegunloye on Unsplash

PRINCIPLE 3: Change points: making every contact count

'Making every contact count' is a well-known behaviour change approach adopted by the National Health Service (NHS) in England. A key principle of this approach is to ensure that all staff use any opportunities to support patients' behaviour change towards healthier lifestyles. Drawing on that logic, place-based approaches to SME decarbonisation could use interaction points with a variety of stakeholders and intermediaries as a basis for supporting SMEs on their decarbonisation journeys. Public bodies like local authorities are one source of interactions: for example through planning processes; business rates administration; health and safety or food standards accreditation and so on. Each of these can provide a point for information provision or conversation about decarbonisation.

Beyond public bodies a whole range of other intermediaries have also been highlighted as important trusted sources of advice for SMEs, such as accountants (Blackburn et al, 2005), landlords, plumbers, electricians, builders and wholesalers (Hampton et al, 2022; Janda et al, 2014; Wade et al, 2016). Many of these intermediaries are also SMEs. As such, the role of SMEs as enablers and influences comes to the fore. A task for those designing interventions is to make the most of SMEs as enablers and influencers of change in other SMEs as well as in their role as consumers.

Some intermediaries, like owners of buildings and land, have often also been highlighted as barriers to action (Eadson et al, 2014; Fawcett and Hampton, 2020), and there is an important job here for stakeholders to work with these intermediaries to unlock opportunities for change.

Business owners, managers and workers are not only defined by their business or work. In particular, thinking about harder to reach enterprises, community networks are important: making the most of broader community-focused initiatives to also target SMEs can be another way to reach different businesses. In Oxford, for example, a large proportion business owners and self-employed workers in the taxi trade are from South Asian heritage, while barbershops are often run by first-generation immigrants. Reaching these SMEs with information and advice about net zero is most effective when working with existing community organisations who are attuned to sociocultural contexts of doing business. This fits with the wider point about ensuring that reaching SMEs is a consideration across different types of decarbonisation intervention, not just those targeted specifically at SMEs (Principle 4)

PRINCIPLE 4: Systemic solutions: SME stakeholders & influencers

Much of the place-based change required to reach net zero will come through broader infrastructural investments in, for example, energy, buildings and transport systems. Historically SMEs have not been well considered within such investments, either as part of national programmes or locally-led investments. Our research suggested that this remains the perception of decarbonisation policy today.

Place-based systemic solutions need to be attuned to different SME voices and – as above – SMEs can also be important as influencers, promoting change. It is important to include SMEs within systemic solutions to ensure that solutions effectively meet their needs, and to address challenges that different SMEs might face as new low-carbon infrastructure or systems are put in place. This will require dedicated and on-going engagement which recognises the specific but also differentiated needs of different SMEs: not all businesses are effective at getting their voices heard, and established business networks are not always representative of different business needs. In England, Local Enterprise Partnerships have sought to represent the 'voice of business' in the wider policy agenda. In future, Combined or higher tier authorities could instead create an SME forum designed to be representative of different sectors and types of business.

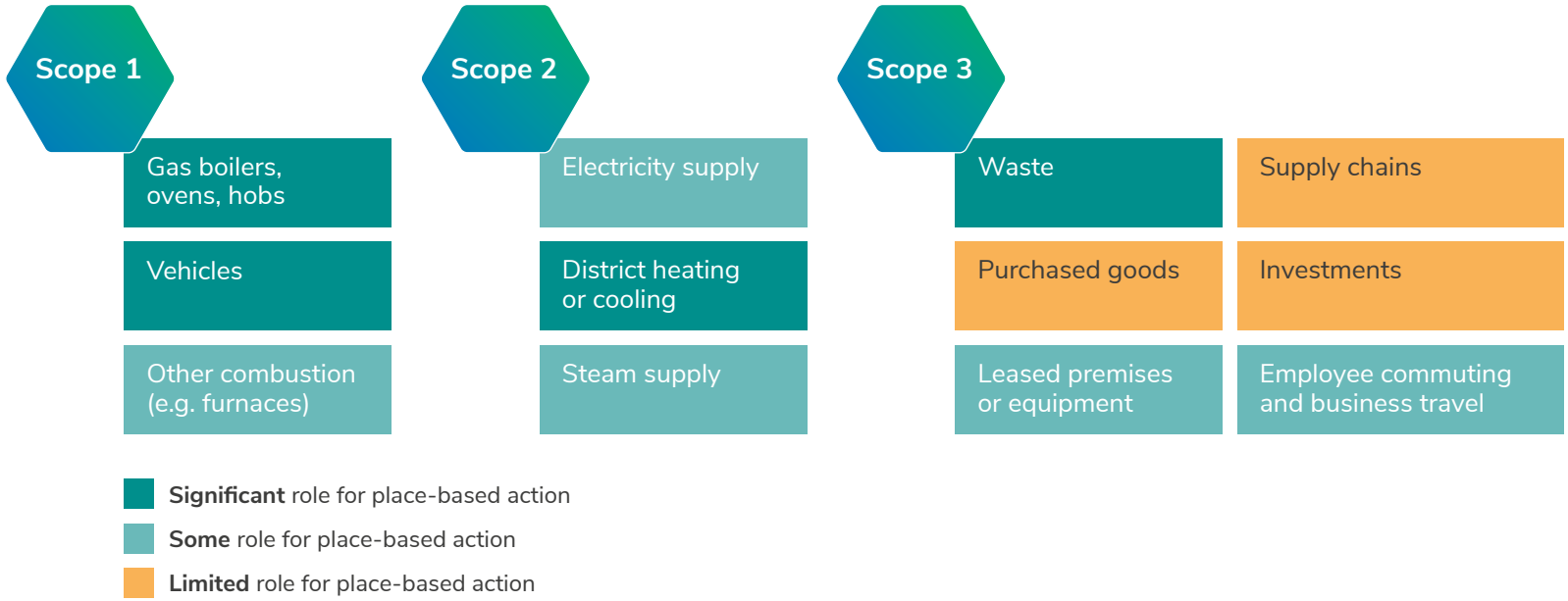
Equally, if well-engaged with policy implementation, SMEs can act as influencers in change processes. One example of SMEs as influencers from our research is of hairdressers motivating their clients to switch to more sustainable practices, such as using shampoo bars (thereby avoiding plastic waste and harsh chemicals), to using water-saving measures such as dry shampoo. SMEs can also act as positive voices in communities where low carbon infrastructure investments are planned, influencing residents and other businesses. Our in-depth research with restaurants has demonstrated that influence is multi-directional. Smaller restaurants respond to the food preferences of their customers, but they can also shape them by developing menus with low-carbon and meat-free options, carbon labelling, providing tap-water as standard, and awareness raising. Interviews with industry stakeholders revealed that restaurant staff are the principal driver of sustainability initiatives, although there is a danger that with more labour shortages and rapid 'churn', such influence-from-within is dissipating.

PRINCIPLE 5: Working with clusters

Many businesses require specific sector-based specialised expertise not well-addressed by more generic business support programmes. Our in-depth research on five places and five sectors in the UK suggests that as a general rule, the steps required to reduce the Scope 1 and 2 carbon footprints of SMEs can be effectively dealt with by place-based provision, while Scope 3 emissions are more likely to be better addressed by specialist, sector- and industry-based actors.

However, there are some cases where the distinction between place- and sector-based business support is not clear cut. One example is where businesses in a specific industry are geographically clustered.

Figure 3.2: Place based provision for different scopes of emissions. Note: emissions sources are indicative examples rather than a definitive list



For example, the government's industrial decarbonisation strategy identified six emissions hotspots, with a focus on supporting the biggest emitters to adopt cleaner production processes. While five of these clusters focused principally on support for large multi-nationals, in the Black Country a different approach has focused on the more variegated needs of 3,500 manufacturing firms in the region, most of which are SMEs. The plan is for a series of 'mini-clusters' adopting circular economy principles and possible opportunities for SMEs in the region to relocate around these industrial hubs.

Another example is the Sustainable Food Places initiative. The food system is especially complex, incorporating farmers, processors and retailers, simultaneously embedded in local places and connected to global markets. Sustainable Food Places draws together diverse actors in more than 40 city-regions across the UK, working together to shorten supply chains, raise awareness, tackle food poverty, diet and the prevalence of ultra-processed food.

This approach can be applied to any sector with a geographic concentration within a locality, potentially allowing for a specialist approach to SME decarbonisation where local economic clusters or particularly vulnerable sectors exist, harnessing sector-based expertise in a local context.

Photo: Sheffield, South Yorkshire, Shane Rounce on Unsplash

PRINCIPLE 6: Sub-local whole-place solutions

There is considerable scope for sub-local groupings, e.g. high streets and business parks, to develop shared solutions, including community-based energy, waste management, green infrastructure and circular economy initiatives.

This might – for example – give opportunity to work closely with a landlord who owns a cluster of buildings. Landlords are seen as a key barrier to SME climate action. As noted above and highlighted in Energy Efficient Scotland Programme findings, non-domestic building landlords can be difficult to engage with in general, particularly if there are multiple landlords within a building. For those landlords who leased to SMEs, questions were raised over who was financially responsible to conduct energy efficiency updates. Therefore, finding ways to engage with them and motivate action is critical for progress.

Green Street is one organisation employing a place-based approach, focused on high street businesses. A pilot scheme in Bradford is working with businesses clustered in the city centre to provide sustainability support, create new circular economy business opportunities, and to influence other businesses. In other words it seeks to support business as consumers, enablers and influencers for decarbonisation.

Another example is known as 'area-based insetting'. In Oxford, the City Council have convened a group of the largest emitters from the public and private sectors, called the Zero Carbon Oxford Partnership (ZCOP). Several partners have ambitious net zero targets, which include buying carbon offsets. Oxford City Council, working with a local energy service company, is seeking to encourage large organisations to 'inset' rather than 'offset' their emissions, by investing in decarbonisation measures locally. Examples may include helping SMEs to install solar panels, heat pumps or energy management systems, or to promote nature recovery.

PRINCIPLE 7: Joining up networks

Finally, SME decarbonisation is a complex agenda, both for businesses and for those seeking to bring about change in businesses. The current policy and support landscape is fragmented, lacking coherence. While place-based initiatives might not change the wider national or international policy landscape, they can work to develop coherence through specific programmes to join up networks and organisations which work with businesses. This coordination is essential both to reaching larger numbers of SMEs and to developing effective policy and support programmes.

The South Yorkshire Sustainability Support Consortium (SYSSC) has been working to develop a shared approach to SME sustainability across the region. The group consists of representatives from SME sustainability networks, voluntary sector organisations, the region's universities, its local authorities, Chambers of Commerce and Mayoral Combined Authority. It aims to create a coherent voice and resource hub for regional action on SME sustainability to develop a more strategic approach across the region and reduce complexity for businesses in what was described by one stakeholder as a 'vuca' challenge: SME decarbonisation action and policy can appear volatile, uncertain, complex, and ambiguous.

One stakeholder in Oxfordshire described the governance of net zero in the county as 'advanced, but chaotic'. Here, there are myriad initiatives and organisations involved in accelerating the sustainability transition, it can be challenging for businesses to understand where to go to for support. In response, the Oxfordshire Local Enterprise Partnership employed 'Network Navigators' whose job it was to signpost SMEs to relevant networks, advisory organisations and financiers offering net zero services.

As the number and range of actors offering net zero support grows across the UK, coordinating networks becomes more important. This includes not only different public-sector initiatives run by local and national governments, but also support available with sectors and industries, particularly for more technical challenges such as decarbonising Scope 3 emissions or specialised industrial processes.

Finally, while many SMEs are locally embedded, many operate in international networks, and may see the advantages of connecting to supra-national initiatives such as the UN's Race to Zero, the OECD, or the SME Climate Hub.

3.1 Cross-cutting challenges: skills, data and finance

Underpinning these seven principles are a range of challenges that cut across each. These include: skills development, addressing data gaps, and access to finance.

- **Skills development**: this is central to enabling businesses to act on net zero, but also for the provision of solutions to businesses. On the one hand, many of the stakeholders we spoke to in our research talked about the lack of qualified assessors to identify solutions for individual businesses as a key bottleneck to support provision, and more broadly the need for a massive increase in the number of people qualified to implement any identified solutions. On the other hand, there is a need to provide skills in sustainability practices in training programmes, such as hairdressing training programmes and upskilling certification schemes.
- **Data gaps**: neither policy stakeholders nor individual businesses have a good grasp on the specific carbon emissions challenges businesses face. This becomes more acute if we look beyond beyond Scope 1 and 2 emissions, with some SMEs more reliant on Scope 3 activities worse affected than others, e.g. restaurants. As noted above, some schemes are emerging to address this at a national level, and the ability for individual firms to improve their own calculations and monitoring of emissions will partially be addressed by skills development.
- **Finance access**: some decarbonisation measures will be costly for businesses and this is a clear barrier to action. Grant programmes can help to address these needs if correctly targeted (see Principle 2 on 'going beyond' above) and private sector actors are also beginning to provide financial products, such as Royal Bank of Scotland, which are providing £100 billion funding through green loans and green asset finance to allow SMEs to finance sustainability ambitions.

While there is a role for place-based action across each of those challenges, skills is perhaps the clearest domain where routes to place-based action is already well established through Further and Higher Education providers, and local authority or Combined Authority responsibility for adult skills budgets. A joined up approach between providers could be transformative for SME decarbonisation skills development. Already different providers are beginning to wake up to the skills needs of SMEs: for instance, further education providers in Belfast and in South Yorkshire are both developing SME-oriented skills programmes.

Higher Education bodies are also well-placed to provide CPD and specific expertise in – for example – carbon accounting or the development of sustainability-focused MBAs, as well as knowledge transfer from research and innovation into SMEs.

Place-based approaches could also learn from other place-based skills programmes. For instance, a cluster- or sector-based approach could combine business support with a dedicated sector skills hub, like the '**skills for retrofit**' Low Carbon Academy in Greater Manchester or CATCH in the Humber, which is a hub for chemical and process engineering skills provision. A similar approach could be taken to other place-based sectoral decarbonisation initiatives.

Photo: Belfast, K Mitch Hodge on Unsplash

4. Recommendations for achieving transformative outcomes

This report set out a summary of findings from our research into SME governance for net zero in five places and across five sectors in the UK. Drawing from this research we set out seven principles for transformative place-based support for SME decarbonisation. We conclude by outlining 15 policy and practice recommendations, linked to these principles. These are shown in Table 4.1 below.

We hope that, by building from these principles and recommendations, place-based organisations will be better able to drive forward transformative action that promotes broader, deeper and faster SME transitions to net zero.

Table 4.1: Recommendations

Recommendation		Who should lead?	Principle
1 Resource	Provide adequate resource for local coordination and delivery in all places	Central government with local partners	ALL
2 Context	Ensure that place-based support is sensitive to different support possibilities through other less geographically bounded SME networks and provides, like sectoral bodies.	Local partners (local authorities, Combined Authorities, Chambers of Commerce, other local providers)	P1
3 Engage	Engage SMEs in early policy consultation so that their voices are heard and represented	Local authorities, Combined Authorities	P4
4 Outreach	Develop and implement strategy to engage harder to reach SMEs, such as those in more informal sectors, in remote geographic locations, and those led by marginalised population groups.	Local partners	P2

Recommendation		Who should lead?	Principle
5 Leverage	Design engagement plan aimed at key intermediaries for business change points	Local partners	P3
6 Champion	Appoint champion or commissioner for climate change and business, with resources and remit to engage local business community.	Combined Authorities, local authorities	P4, P7
7 Depth	Develop principles for support delivery that encompasses different stages of SME decarbonisation journey, prioritising any capital funding for harder to treat challenges.	Business support providers	P2
8 Cluster	Design and embed SME net zero support within local economic cluster policies	Economic development leads working with sector organisations	P5
9 Go hyper-local	Support small area solutions, such as business parks and high-streets, focused on clusters of engaged SMEs to build exemplars and leverage social capital for wider influence.	Local authorities, business parks / landlords, local business networks	P6
10 Mainstream	Embed principle of SME engagement within net zero policy and infrastructure development. This must be cross-sectoral engagement (e.g. through representative SME forums/engagement procedures) and not confined to 1-2 representatives on decision-making boards.	Local planning authorities, local authorities, Combined Authorities, other local/regional infrastructure providers	P4
11 Regulate	Consider how local planning guidance can be adapted or strengthened to ensure SME voices in net zero infrastructure developments.	Local planning authorities	P3
12 Coordinate	Coordinate policy design between different levels of government.	National government stakeholders in partnership with places.	P7
13 Partnership	Put in place a cross-sector coordination partnership to ensure joined up thinking and decision-making for coherent action within places.	Local partners, led by identified leading organisations for SME support	P7

Recommendation		Who should lead?	Principle
14 Skills	Develop cross-sector SME low carbon skills strategy	Skills providers in partnership with businesses and adult skills policy lead	SKILLS
15 Data	Incorporate open data protocols to gather and share quantitative data from business support initiatives, including information on energy use, emissions, and efficiency opportunities from SMEs.	Business support providers.	DATA
16 Evaluate	Build independent evaluation into the design-phase of business support policies, to test what approaches work best, for different kinds of SMEs.	National and local business support providers, and evaluation professionals	DATA

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South Yorkshire Sustainability Centre

The South Yorkshire Sustainability Centre (SYSC) is connecting research together to realise a just and sustainable future for the communities, places and businesses of South Yorkshire.

SYSC has received funding from the Research England Development Fund from March 2022 to March 2026.

Their focus is on working collaboratively to identify and respond to regional sustainability challenges through research that is rooted in South Yorkshire.

Contact

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Contact

UKERC@ucl.ac.uk

www.ukerc.ac.uk

@UKERCHQ

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