

Press Release
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Banks and governments urged to prepare the UK's 6 million SMEs for the transition to net zero

- 99% of British business likely to be unprepared for burgeoning carbon reduction policy and regulation
- Focus from government has so far been primarily on big companies and the highest emitters but new policies will affect every business in the UK
- Neglecting SMEs puts 1 in 4 workers and 52% of the UK's turnover at risk of being left behind in the UK's 'Race to Zero'
- "No SME should be forgotten or left behind in the UK transition to net zero" says Bankers for Net Zero

22 July 2021. A briefing setting out how Britain's small and medium-sized enterprises (SMEs) can join the government's race to a net zero emissions economy has been released today. Published by Bankers for Net Zero, the briefing argues that banks and government policy makers need to ensure SMEs are "not forgotten or left behind" but are supported with financial incentives, access to high quality information and a standardised approach to measuring success when it comes to achieving net zero.

Without a long term plan to provide certainty and support for SMEs, the UK government puts them at risk of being unable to keep up with expanding climate policy, while also threatening achievement of the UK's 'Race to Zero' climate goal of zero carbon emissions by 2050.

The briefing, which is the product of more than 6 months in-depth work with leaders from banking, business and local and national government, identifies three areas where action is needed:

1. Incentives to reward SMEs that make net zero a priority, such as:
 - Lowering their cost of capital by offering "green" financial products and services that reward businesses that invest in decarbonising their operations with lower interest rates.
 - Lowering their taxes, by offering business rates relief linked to carbon footprint or enhanced capital allowances for investments in decarbonisation.
 - Incorporating criteria into government procurement rules that promote the inclusion of SMEs in contractors' supply chains and favour contractors with lower carbon emissions.
2. Access to high quality trustworthy information, including advice on how to measure their carbon footprint, reduce it, and how to finance the necessary investments.
3. Standardising approaches to measurement and reporting of progress towards net zero, so that access to green government schemes or green finance is not hindered by excessively complex reporting requirements.

The government should announce a comprehensive strategy that tackles all three of these issues at once, the briefing argues, insisting that a piecemeal approach will not work. The report highlights the fact that SMEs:

- Account for 99 per cent of British businesses
- Are responsible for 52 per cent of the UK's turnover and
- Employ a quarter of the total UK population

To leave them behind, the briefing argues, would result in the UK Government not meeting its legally binding target to reach net zero emissions by 2050.

Louise Kjellerup Roper, CEO of Volans and Bankers for Net Zero founding partner, adds: “This is a golden opportunity to take what has been an extremely difficult year for our country’s SMEs and turn it into something positive. We need to help them come through the Covid-19 crisis as greener and more sustainable businesses, complying with increasing regulation and responding to growing consumer demand for action on the climate crisis. It will be a win-win for businesses and the environment. No SME should be forgotten or left behind in the UK’s transition to net zero. We will not get to net zero as a country without SMEs taking action now.”

Bim Afolami MP, Bankers for Net Zero Champion, comments: “As a Bankers for Net Zero Champion, I am delighted to be part of an initiative that really digs to the heart of the regulatory and legislative challenges that banks and businesses are facing as the UK embraces the net zero challenge. Supporting our SMEs through this process will be critical. Banks have a great deal of agency that can be harnessed in order to reach the 6 million SMEs in the UK, and this report clearly demonstrates how a coordinated effort between finance and government can deliver support and value to SMEs.”

Richard Winder, Head of External Affairs, Handelsbanken comments: “Many SMEs, especially privately-owned or family businesses, have operated responsibly in their communities for generations. Emerging from the pandemic, they will be keen to play their part in tackling climate change, while securing their long-term business prospects. But planning the most sensible transition route and investment strategy is a challenge. We believe that access to reliable, comprehensive guidance and appropriate incentives will spur the widespread engagement needed, with banks on hand to provide the finance their SME customers require.”

Simon Crichton, Head of Relationship Management, Triodos Bank UK adds: “We have long recognised the role of banks to act as much more than neutral finance providers, and to take seriously their responsibility in driving positive social and environmental change. Banks must now step up and provide targeted products, guidance and signposting for their SME customers. However, we will only realise our Net Zero ambitions if these actions are underpinned by coordinated resources and support from government and other providers.”

Jonathan Geldart, Director General of the Institute of Directors, said: “SMEs have a crucial role to play in the race to Net Zero, and they are committed to playing their part. As argued by this report, what they need from both the government and the banking setting is a framework of information and incentives that supports their transition to decarbonised business models. This historical transition to a new way of doing business is unprecedented, and all parts of society will need to be aligned.”

Ends.

Notes to editors

About the Bankers for Net Zero

Bankers for Net Zero is a collaborative initiative bringing together leaders from the UK banking sector, along with representatives from business and government, who share a commitment to accelerating the UK's transition to net zero carbon emissions. The initiative was established in 2020 to develop ambitious but achievable policy recommendations and pledges to action ahead of COP26.

The banks participating in the initiative are **Barclays, ClearBank, Ecology Building Society, Handelsbanken, Tide and Triodos**. Delivery of the initiative's programme of work is led by the All Party Parliamentary Group on Fair Business Banking, Volans and Re:Pattern, and overseen by a Steering Committee made up of representatives from the participating banks, along with the **UNEP Finance Initiative, the COP26 Champions team, the UK Green Building Council, the Grantham Research Institute at the London School of Economics, the Club of Rome and the Impact Investment Institute**.

The Bankers for Net Zero SME working group was established in November 2020

About the Partners

The APPG on Fair Business Banking is one of the largest and most influential APPGs in parliament, the group has 17 officers and has a membership of over 116 MPs and peers. It has led the field in the creation of a dispute resolution service for businesses, and works effectively at executive level with industry, government, parliament and regulators to facilitate and implement changes that foster improvements in trust, co-operation and productivity between businesses and the banking sector.

Website: www.appgbanking.org.uk

Volans is a think-tank and advisory firm operating at the leading edge of sustainability and innovation to catalyse systemic change. Founded by the 'Godfather of the Sustainability movement' John Elkington in 2008, Volans helps business leaders make sense of the emergent future to unlock the potential of their organisation and create opportunities in the face of exponential planetary challenges.

Website: www.volans.com

Re:Pattern catalyses business model innovation for sustainability by working across diverse networks and stakeholder ecosystems - creating new pathways for the flow of finance. Led by the former Strategy Director for Triodos Bank and Banking Board member of the UN Principles for Responsible Banking, Re:Pattern develops strategies, policies and practices to support sustainable finance globally.

Website: www.repattern.org

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