



# A springboard to sustainable recovery

Unlocking the net-zero opportunity for UK SMEs



NatWest

TOMORROW  
BEGINS  
TODAY



**Front cover illustration by  
Silje Erin Aure,  
Glasgow School of Art alumna**

Forward-looking statements. The £100 billion CSSF target, key findings, estimates and projections referred to in this announcement (including projections about estimated UK's carbon reduction delivered by SMEs, the estimated number of jobs created and SMEs by the transition to net-zero, the value of the potential opportunities for the SMEs) are forward-looking statements. Words or phrases such as 'estimate', 'believe', 'commits', 'continue', 'could', 'expect', 'forecast', 'goal', 'guidance', 'intend', 'may', 'objective', 'plan', 'potential', 'predict', 'projection', 'seek', 'should', 'target', 'will', 'will provide', 'would' or similar expressions that convey the prospective nature of events or outcomes generally indicate other forward-looking statements. These forward-looking statements are based on current plans, expectations, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to NatWest Group's strategy or operations, which may result in NatWest Group being unable to achieve the current plans, expectations, estimates, targets, projections and other anticipated outcomes expressed or implied by such forward-looking statements. The key findings, estimates and projections in this announcement are based on various industry and other information and are based on assumptions and estimates and are the result of research, not statements of historical fact. By their nature, certain of these disclosures are only estimates and, as a result, actual future results could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. The forward-looking statements contained in this document speak only as of the date we make them. Except to the extent legally required, we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements in this document, whether to reflect any change in our expectations regarding those forward-looking statements, any change in events, conditions or circumstances on which any such statement is based, or otherwise.

This cautionary note and forward-looking statement should not be regarded as complete and comprehensive and should be read together with:

- the 'Risk Factors' included on pages 345 to 362 of the NatWest Group plc 2020 Annual Report and Accounts (with special regard to the risk factors in relation to 'Climate and sustainability related risks' that describes several particular uncertainties, climate and sustainability related risks to which NatWest Group is exposed) and included on page 113 of NatWest Group's H1 2021 Interim Results;
- the 'Cautionary statement regarding forward-looking statements' on page 367 of the NatWest Group plc 2020 Annual Report and Accounts and on page 115 of NatWest Group's H1 2021 Interim Results;
- Section 5.7 (Caution about climate metrics) and the 'Climate-related and other forward-looking statements and metrics' (page 65) of the NatWest Group's Climate-related disclosure report 2020; and
- the cautionary statement of NatWest Group's Climate, Purpose and ESG measures supplement H1 2021.

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## Foreword

**Alison Rose, CEO of NatWest**

Climate change is the biggest single issue facing humanity today, threatening lives and livelihoods across all spheres of society. NatWest's ambition is to be a leading bank in helping to address climate change, primarily through the support we provide to our customers and bringing stakeholders together. We are the only bank to be a Principal Sponsor of COP26, the United Nations' climate change conference in 2021.

We are using this platform to demonstrate ways for people and businesses to tackle climate change, including through this new research exploring the role of SMEs in the UK's journey to net zero. Our hope is that these fresh insights can begin to shape a more attractive and enabling business environment that brings more small and medium businesses into the green economic transition and helps them to focus on the opportunities that exist.

We should never underestimate the power of the small (and in this instance SMEs) for leveraging big advances. What this research tells us, in clear numbers, is that all sectors of the economy will need to play their part in helping the UK achieve its

climate ambitions. We must look at this not just as an imperative, but an opportunity for businesses.

SMEs play a critical role in the UK economy, contributing 50% of total UK turnover and 60% of employment. As the UK's largest business bank, NatWest has and will continue to honour its commitment to our customers who are an important part of the country's diverse and enterprising SME sector, and to the climate change challenge through the support and

**“ The financial services sector plays a critical role in supporting businesses to meet their own carbon reduction targets. ”**

advice we provide that extends well beyond just our customers. This report brings these ambitions together and sets out a number of concrete actions we, and others, can take to enable SMEs to create real value for themselves, and society as a whole.

Of course, climate action begins with getting our own house in order and we have committed to ensuring our operations are climate positive by 2025. We have already achieved our target for direct operations to be net zero by 2020 and we are aligning our lending portfolio with the ambitions of the Paris Agreement to help end the most harmful economic activity.

The financial services sector plays a critical enabling role in supporting businesses to meet their own carbon reduction targets and by the first half of 2021, NatWest had exceeded its three-year target allocation, with an actual spend on climate and sustainable financing of ~£22 billion in just 18 months. Our green mortgages give customers a discounted interest rate on energy-efficient properties and in the first half of 2021, our retail banking division had completed green mortgages with a value of £431 million.

I am particularly proud of NatWest's credentials as a funder of renewable energy – we were the leading lender to the UK renewables sector by number of transactions between 2009 and 2019, and

in 2020, NatWest Group was ranked first in the UK as lender to renewable projects. NatWest Markets increased global market share in managing green, social, and sustainability bond underwriting from 2.3 to 3.8%, putting it in the top five largest underwriters of this market in Europe, and in the top 10 globally. NatWest will also commit to £100 billion of climate and sustainable funding by 2025 to support the investment the UK needs.

As well as our direct interventions and commitments, I am firmly of the view that this is a team game and that is why NatWest is increasingly carving out a role as a convenor and connector of stakeholders around the climate change challenge. We are a founding member of the [Net Zero Banking Alliance](#) and are in the coalition of the new Glasgow Financial Alliance for Net Zero (GFANZ), comprising over 160 financial services companies that are part of the UN Race to Zero campaign.

**“Climate action begins with getting our own house in order and we have committed to ensuring our operations are climate positive by 2025.”**

# Executive summary

There is a shared understanding that one of the top priorities facing the world is the need to reduce carbon emissions and support businesses to transition to net zero. The UK Government has set out a 10-point plan to put the UK on the pathway to net zero. The goal of NatWest's research is to provide practical guidance to SMEs and demonstrate the opportunity that exists for the UK economy and the environment, if public and private sectors work together to provide SMEs with the support they need.

New research from NatWest has found that SMEs have two distinct opportunities to create value from delivering climate action: driving business value by reducing their own emissions, and unlocking growth through wider climate action.

## Key findings

- **There is a £160+ billion revenue opportunity for SMEs as a result of the drive to tackle climate change.**

There has never been a better time for SMEs to act. SMEs need to support, among other things, 5 million insulation and 3 million heat pump retrofits (85% of the UK total), 125,000 electric vehicle charge point installations (48% of the UK total), and installation of 22GW of renewable power capacity per year (34% of the UK total).

- **130,000 new jobs could be created in the SME sector alone across the UK if the opportunities to support the transition to net zero are harnessed.** By delivering residential retrofitting, installing renewable power equipment, installing electric vehicle charge points, delivering reforestation projects, and supplying hydrogen and bioenergy and upgrades to the electricity grid, SMEs could create up to 130,000 new jobs.<sup>1</sup>
- **30,000 new companies could be created to support the UK's transition to net zero.** The transition has the potential to spawn many new businesses – around 30,000 new SMEs altogether, by NatWest's estimation.
- **Half the UK's carbon reduction ambition can be delivered by the country's SME sector.** UK SMEs have a unique opportunity to play a substantial role in enabling the UK to deliver on its climate commitments. Almost all studies and interventions aimed at reducing carbon emissions have focused on the role of the corporate sector, but SMEs play a critical role in the UK economy, contributing around 50% of total UK turnover and 60% of employment. This report will show that the SME sector alone can enable more than 50% of the UK's abatement targets, given the right support.

<sup>1</sup>Job estimates refer to direct jobs created by incremental revenue and estimated using the OECD direct jobs multipliers and revenue data from ONS.

- **SMEs contribute around 30% of the UK's total emissions.** This too is an opportunity for SMEs rather than a burden. With the right support from organisations like NatWest, 55 to 70% of business cases to reduce emissions will make financial sense for SMEs to deliver by 2030. While opportunities exist across all sectors of the economy, the Transport, Agriculture, and Industrial sectors provide the most urgent and immediate positive business cases. For instance, SMEs in transport could abate 17 mega tonnes of carbon dioxide equivalent (MtCO<sub>2</sub>e) by 2030 from £20 billion of incremental investment.



“**SMEs play a critical role in the UK economy, contributing around 50% of total UK turnover and 60% of employment.**”

## Our recommendations

**Financial institutions, government, industry bodies, and large corporates all have a part to play in unblocking many of the barriers to unlock the SME climate opportunity. Action is needed in six key areas:**

1. **Funding access:** SMEs require financing options that reflect the societal benefit of delivering climate action to ensure that business initiatives make financial sense.
2. **Awareness:** SMEs need support to recognise the strengthening opportunity from climate action. This support needs to be applied to their specific business context and should highlight the key skills required to transition successfully.
3. **Knowledge:** SMEs need help to improve their climate action knowledge, specifically (i) their ability to measure and report climate impact in line with the range of standards and rulebooks that exist, and (ii) sector-specific knowledge on how to reduce their impact – for example, through new farming practices or heat pump installations.

- 4. Skills and capabilities:** SMEs need support to develop new skills to deliver a business transition, including re-training and upskilling employees and achieving relevant accreditations and certification. They also need specific management capabilities finetuned to meet the challenges and opportunities of a low carbon economy.
- 5. Market access:** SMEs looking to unlock broader climate action need improved financial certainty of the benefits of doing so. For example, regulation can help to ensure that roll-out rates for infrastructure like electric vehicle charge points identified by the Climate Change Committee are achieved, or to reduce the costs of the transition.
- 6. Navigation:** Finally, SMEs need support to navigate the complex and evolving landscape, including prioritising different opportunities, understanding what support is available, and, ultimately, realising the benefit to their business.

## In conclusion

Less than 10% of SMEs surveyed by NatWest currently see climate action as a source of future growth. However, our findings show that with the right support the vast majority of SMEs will benefit financially from reducing their carbon footprint. The time has come for SMEs to move from the periphery of climate conversations to the centre of the UK's green ambition.

This report is part of NatWest Group's contribution to that shift and the organisation is determined to support SMEs to not only take advantage of the growth opportunities presented by the drive to tackle climate change but also to help them transition to net zero themselves in a cost effective and profitable way. NatWest is committing £100 billion of climate and sustainable funding by 2025 to support the investment the UK needs.

**“ With the right support the vast majority of SMEs will benefit financially from reducing their carbon footprint. ”**

# NatWest's research on the UK SME landscape

The insights in this report are based on NatWest's in-depth analysis of the UK SME landscape (firms with fewer than 250 employees). Research included:

- In-depth literature review of more than 30 reports with a UK and global focus.
- Analysis of 40 existing support packages available in the UK and globally.
- Detailed interviews with 10 UK SME owners across a variety of sectors, regions, and environmental maturities.
- Interviews with NatWest's key strategic partners for supporting SMEs.
- Insights from NatWest SME Taskforce and previous SME-focused report, *A springboard to recovery: Building back better together*.

Through this research we have developed three illustrative, composite personas – David, Ravi, and Emily – who represent a consolidated view of how many SMEs think about and act on climate opportunities.

## Acknowledgements

**We would like to thank all our partners for their support and collaboration on this report.**

They include: Microsoft, British Chambers of Commerce, Federation of Small Businesses, CBI, BlackRock, CoGo, HVM Catapult, ScaleUp Institute, and National Farmers' Union (NFU).

We would also like to thank McKinsey & Company for its support on the research and analysis underpinning the report, and Douglas Knowledge Partners for its editorial and design support.



## Expert perspective Lord Nicholas Stern

In the fifteen years since we published *The Economics of Climate Change*, The Stern Review, governments and businesses have been slow to recognise the enormous and growing threat that climate change poses to economic development and growth. The 2006 Stern Review outlined the immense risks from climate change and the strong case for action. The recent IPCC report sends the strongest message yet from the world's scientists that the world must act with urgency if we are to avoid the worst impacts of climate change.

Despite landmark consensus achieved through the Paris Agreement, commitments from countries in the lead-up to COP26 in Glasgow are far from where they need to be. Man-made climate change will only stop once the world reaches net-zero annual emissions of carbon dioxide and other greenhouse gases; the world is not on track to meet this target. Every government and business should now be focused on the investments and innovation required to reach net-zero emissions as quickly as possible. We know that these investments can drive sustainable improvements in growth, prosperity and living standards around the world. SMEs will be at the centre of action, being key forces for productivity, jobs and growth. These businesses employ 60% of the UK workforce, and contribute 50% of total UK turnover.

This research by NatWest is timely and important. The UK's small businesses, including innovative start-ups, need support to capitalise on the emerging opportunities from the transition to a low-carbon economy. UK SMEs, who are large employers across UK regions, have been underperforming. They account for most of the "long tail" of UK companies who have failed to invest sufficiently in processes, products and digital infrastructure, and which have been a drag on productivity over the past decade. To capture new growth markets and support new, high quality sustainable jobs in the future in the UK regions that need them most, they will need to adopt new technologies, new management techniques, and learn how to access new markets. Targeted support is needed.

“**This research by NatWest is timely and important.**”

This report focuses on the practical support SMEs need today to ensure their future success in a rapidly changing economy and society. The report demonstrates that consumers are showing an increased appetite for environmentally friendly, and low-carbon, goods and services, with many willing to pay a premium. There is an incredible opportunity for businesses of all sizes, but especially SMEs, to step up to meet this demand. Business understanding of the growing opportunity and the urgency of action is accelerating. Sustainability and climate have made it onto boardroom agendas, spurred in part by changing consumer preferences and the recognition that we have an opportunity to build back better as we recover from the COVID-19 pandemic.

The financial sector will play a critical enabling role in the green economic transition that is beginning to take shape, and I am encouraged to see NatWest taking concrete steps to involve small and medium

sized businesses in this transformation. From the rural farmer in Devon, to the tech start-up in Edinburgh, many of the entrepreneurs NatWest supports know that climate change will impact their businesses in the years to come. NatWest is working to involve, encourage – and most, importantly, support – these entrepreneurs to step into the opportunities that climate change presents in their industries.

This research shows that SMEs can deliver 50% of the UK's abatement targets, if they get the right support. This action could deliver more than £160 billion in climate opportunities for SMEs to 2030. Fifteen years from now, we will know whether we will succeed or fail to meet the UK's 2050 net-zero target and the UK's SMEs will play a defining role in the outcome.

*Professor Stern is the IG Patel Professor of Economics and Government, Chairman of the Grantham Research Institute on Climate Change and the Environment and Head of the India Observatory at the London School of Economics. He was President of the British Academy, July 2013–2017, and was elected Fellow of the Royal Society in 2014. He was Chief Economist of the European Bank for Reconstruction and Development, 1994-1999, and Chief Economist and Senior Vice President at the World Bank, 2000-2003. He was knighted for services to economics in 2004, made a cross-bench life peer as [Baron Stern of Brentford](#) in 2007, and appointed Companion of Honour for services to economics, international relations and tackling climate change in 2017. He has published more than 15 books and 100 articles and his most recent book is *Why are We Waiting? The Logic, Urgency and Promise of Tackling Climate Change*.*

## Glossary of common terms

<b>SMEs</b>	Small- and medium-sized businesses with fewer than 250 employees.
<b>Scale ups</b>	Defined by the OECD as companies with an average return of at least 20% in the past three years, and at least 10 employees.
<b>Net zero</b>	A scenario in which an individual, business, or country contributes zero greenhouse gas emissions to the atmosphere. If they do emit greenhouse gases, they can negate the impact through a range of other actions to remove greenhouse gases from the environment, such as planting trees or using carbon-capture technology.
<b>Sustainable/ sustainability</b>	A situation in which a business's or an individual's actions can continue indefinitely as they do not deplete natural resources.
<b>Climate transition</b>	The process through which a business or individual changes their behaviour and actions to become less harmful to the environment, such as reducing greenhouse gas emissions.
<b>Greenhouse gas (GHG) emissions</b>	The production of gases such as carbon dioxide that contribute to global warming, usually from the burning of fossil fuels.
<b>Abatement</b>	The process of reducing greenhouse gas emissions, either by avoiding emissions or performing actions to remove them from the atmosphere, like planting trees.
<b>Climate action</b>	A catch-all term to describe the things that businesses or individuals can do to reduce their impact on the environment.
<b>IPCC</b>	The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.

# Introduction

**As the green economic transformation continues to ramp up across all sectors of the economy, attention needs to broaden from the narrow focus on big polluters and big corporates to the role that all businesses can, and must, play in the UK's journey to net zero. Doing so could unlock significant revenue opportunity for UK SMEs and enable the country to meet its ambitious climate commitments.**

Until now, the SME sector as a whole has not been central to climate conversations and climate action, but without them, the UK will struggle to meet its emission reduction targets and SMEs will lose out on billions of pounds in opportunity over the next decades.

To bring SMEs fully into the picture, a shift in narrative is needed – from climate obligation to climate opportunity. SMEs will also need support from government, financial institutions, and the private sector to overcome the barriers to climate action, including a lack of relevant skills and capabilities and low awareness of the positive financial opportunities available to them.

Following a recent NatWest report on the role of SMEs in the UK's post-pandemic economic recovery – *A springboard to recovery: Building back better together* – this research shines a spotlight on climate opportunities, as well as the challenges and interventions needed to put SMEs at the centre of the UK's net-zero ambition.



**“Doing so could unlock significant revenue opportunity for UK SMEs.”**

# From climate imperative to climate opportunity

Climate change is one of the critical challenges facing humanity. The IPCC's August 2021 report confirmed in stark terms that climate change is happening faster and more intensely than many scientists predicted.<sup>2</sup> Countries need to step up action to deliver the goals of the Paris Agreement – and go even further – if there's any chance of averting climate breakdown.

The UK has set a target to reach net-zero emissions by 2050, and to reduce emissions by around 40% by 2030, relative to today.<sup>3</sup> To meet these ambitions, the public and private sector will need to mobilise considerable resources towards these goals during the rest of this decade, and beyond. Few businesses – large or small – will be untouched by the green economic transformation ahead.

To date, the bulk of emissions reductions have been delivered by sectors with a high concentration of large corporates, such as power. Studies and interventions aimed at reducing emissions have focused mainly on the role of the corporate sector in the journey to net zero, but new research from NatWest shows that UK SMEs have a unique opportunity to play a substantial role in enabling the UK to deliver on its climate commitments. Indeed, without a sizeable SME shift towards sustainability,

the UK may struggle to meet its emissions targets.

This is because SMEs play a critical role in the UK economy, contributing around 50% of total UK turnover and 60% of employment.<sup>4</sup> And – despite being the 'forgotten actors' in climate conversations – SMEs contribute around 30-35% of the UK's total emissions.<sup>5</sup> NatWest analysis indicates that the SME sector alone can enable more than 50-55% of the UK's abatement targets, given the right support (Exhibit 1). With their distributed regional presence, they can play an important role in the broader economy, deploying much of the low-carbon technology, infrastructure, and services needed to facilitate the transition.

Involving SMEs in the UK's green economic transformation is not only a climate imperative, but an opportunity for the SME sector and UK economy as a whole. By successfully harnessing the reach and power of SMEs, the UK can significantly enhance its green credentials as a climate leader on the international stage, establishing a blueprint for how to deliver climate action by involving all sectors of the economy. Getting SMEs to act now can also be a catalyst for large corporates to deliver climate action, by reusing SME innovation through partnerships and potential acquisitions.

<sup>2</sup> [IPCC August 2021 Report](#)

<sup>3</sup> The CCC Sixth Carbon Budget

<sup>4</sup> ONS data sources

<sup>5</sup> Analysis drawn from the CCC Sixth Carbon Budget, ONS, BEIS and other industry data sources

SMEs have two distinct opportunities to create value from delivering climate action (Exhibit 1):

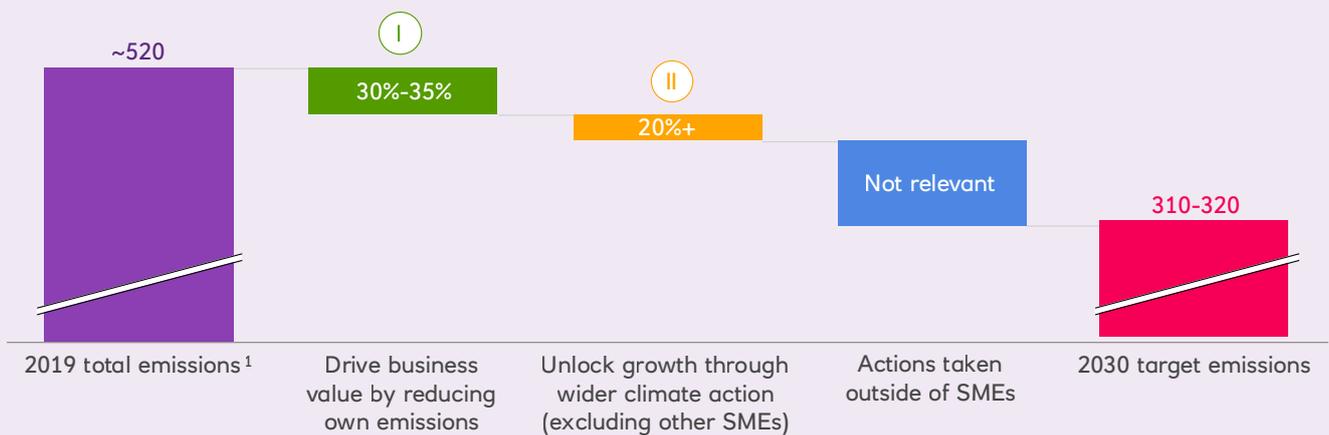
- Driving business value by reducing their own emissions.**  
 For many SMEs, it already makes financial sense to start implementing a low-carbon transition. NatWest research indicates that by the end of the decade 55-70% of business cases to reduce emissions will make financial sense for SMEs to deliver. This number is likely to increase as opportunities strengthen and green

technologies become cheaper. However, even in instances where there is a positive business case, SMEs face a number of barriers to act. These are driven by some of the internal and external business factors previously identified through NatWest’s SME Taskforce, such as lack of knowledge, relevant skills and capabilities, and funding.

Exhibit 1

## Supporting SMEs can enable 50-55% of the UK’s emissions reduction target

UK total emissions and required reductions, MT CO<sub>2e</sub> per year



<sup>1</sup> CCC definition: Territorial emissions, plus international aviation and shipping - AR5  
 Source: ONIS, The CCC Sixth Carbon Budget

- **Unlocking growth through wider climate action.** Given their role in the UK economy, SMEs have a key role to play in helping the UK reach its emissions targets, especially by scaling up the deployment and installation of green technologies. Unlocking abatement through the broader economy represents a £160+ billion revenue opportunity for UK SMEs, but only 6% of SME respondents state that they currently see climate action as a potential source of growth.<sup>6</sup> Awareness of the growing opportunity remains low among many SMEs, and support thus far has mostly been targeted at helping SMEs reduce their own emissions, rather than capturing the wider market opportunity. Many of the UK's highly innovative and scaling SMEs are engaged in the Green Economy and reflect diversity and significant growth opportunity at local levels across the country.



**“Only 6% of SME respondents state that they currently see climate action as a potential source of growth.”**

When discussing how to harness the power of SMEs, it is critical to recognise their diversity and the complex environment in which many operate. Despite strengthening climate action opportunities, SMEs still face a complex decision process – taking them from awareness and understanding, to ability to act, and, finally, achieving positive financial impact.

<sup>6</sup> Research commissioned by NatWest Group. Companies interviewed had a turnover of £6.5m or below. Sample size of 800 with interviews conducted between 21 July and 4 August 2021.

# Cooper King Distillery

## Green spirit captures carbon-conscious consumers

Established in 2016, the York-based [Cooper King Distillery](#) with nine employees runs on 100% renewable energy to produce spirits. In February 2021, it announced the production of the country's first carbon-negative gins – for every bottle sold, 1kg of CO<sub>2</sub> is removed from the atmosphere and one square metre of native English woodland is planted. The brand's green spirit has resulted in

national press coverage, valuable new contracts, and a 22% increase in turnover.

When the business directors began exploring the sustainability space and looked into their supply chain, they were surprised to find that large suppliers of bottles, labels, and packagers had no information regarding their impact. The company now publishes its own carbon

report to inspire others to make a positive difference.

Chris Jaume, Co-Founder, says: "Being a part of NatWest's Climate Accelerator programme gave us access to inspirational business leaders, equipped us with tools to scale sustainably, and enabled us to network and engage with like-minded businesses across the country."

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**Chris Jaume, Co-Founder**

# The opportunity to drive business value by reducing emissions

Proactive SMEs are already acting on regulatory pressures they know are coming, while taking advantage of green incentives set by government. Many are generating significant business value by reducing their own carbon footprints, enabling them to lower their costs, access new markets, and command price premiums.

Investing in energy efficiency and shifting to renewable sources is an increasingly viable means to reduce business overheads. A taxi company with a 20-car

fleet, for example, could expect to gain around £48,000 per year by switching to electric vehicles (EVs) – following an incremental capital outlay of £68,000.<sup>7</sup>

SMEs have also been able to differentiate themselves from their competitors, finding that sustainability is a way to open up new markets and supply chains, and sustain old ones. By investing now to produce low-emissions services and products, and creating low-emission work environments, SMEs will give themselves a chance to access the preferred supplier lists of larger organisations under increasing pressure to

**“ Investing in energy efficiency and shifting to renewable sources is an increasingly viable means to reduce business overheads. ”**

<sup>7</sup> Assuming an annual mileage of 50,000km, from analysis drawing on the CCC Sixth Carbon Budget and other industry data sources

## SME opportunity drivers are continuing to strengthen and provide a strong case for change among SMEs in a number of sectors



### Participating in supply chains

Asif's construction company has best-in-class climate action practices, providing competitive advantage in the Highways England procurement process

**96%** of multinational corporates plan to have reached net-zero emissions by 2025

**77%** of SMEs with 10+ employees consider themselves as part of a supply chain



### Accessing price premiums

Laura's corporate catering company is attracting new customers by providing low carbon, alternative protein options

**~50%** of consumers in Europe and the UK are cutting down on their meat consumption

**20%+** price premium for meat alternative products



### Realising cost savings

Cheryl's holiday lettings business has saved ~30% on energy bills through retrofitting

**10 – 30%** savings in heating costs by installing loft and cavity wall insulation

**25%** potential savings in heating bills from heat pumps vs. gas boilers



### Anticipating regulatory changes

James' business has converted its taxi fleet to EVs in preparation for upcoming regulation on vehicle emissions

**10x** expansion in size of the Ultra Low Emission Zone (ULEZ) in London in 2021, covering >20 London boroughs

**2030** Year by which the UK will ban sales of fossil fuel powered cars



### Benefitting from net-zero financing options / reduced cost of capital

Mohit used his bank's green mortgage scheme to purchase fully insulated warehousing at a lower cost of lending than would have been available to him

**43** of the world's largest banks have committed to pursuing net-zero financed emissions by 2050

**50%** NatWest's target to halve the climate impact of its financing activity by 2030

SMEs have growing opportunities to create business value from climate action; even those who don't see an opportunity now will experience one in a few years.

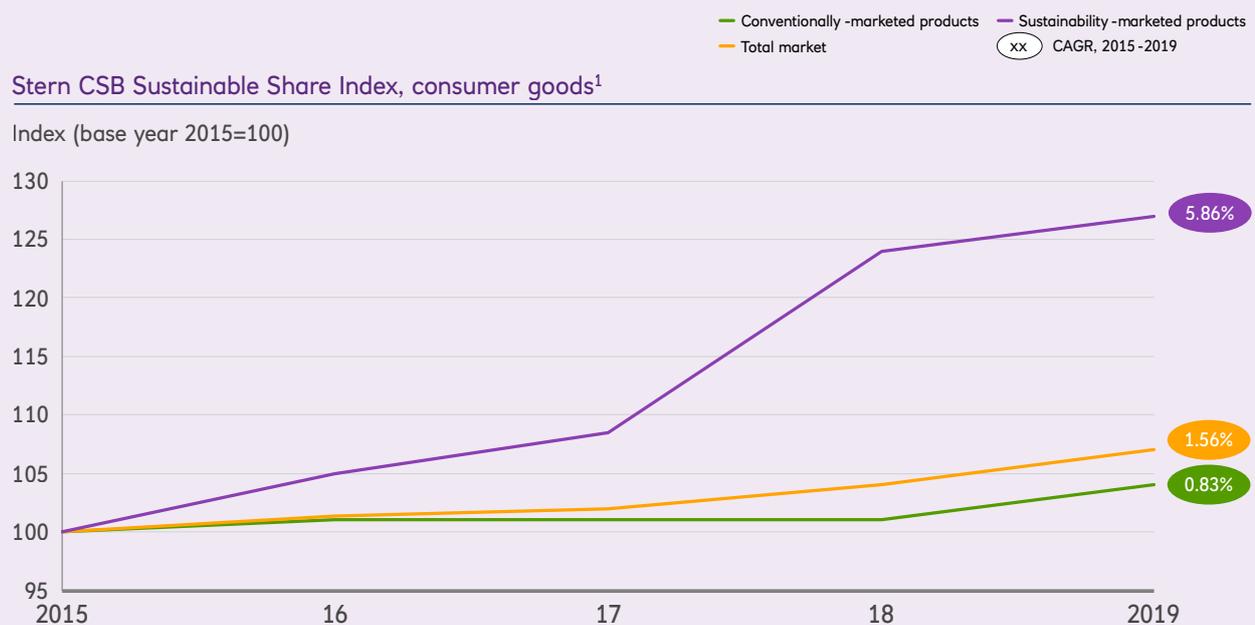
reduce emissions throughout their supply chains. Indeed, those SMEs that do nothing may lose out on business as this pressure continues to build in the years to 2030.

The capital investment needed to transition to a low-carbon operation can in many cases be offset by savings realised through greater efficiency and price premiums charged for green products. Between 2015 and 2019, sustainability-marketed products across all sectors grew more than five times faster than conventionally marketed products, and more than half of UK consumers say they are likely to favour brands that they perceive as “doing good in the world” (Exhibit 2). These benefits together provide a strengthening case for climate action by UK SMEs (see sidebar on page 19).

Consumers are hungry for green goods and services, and nimble SMEs can move quickly to deliver them. London-based Green Tomato Cars has created significant business value from the shift to EVs and today operates the largest zero-emission passenger fleet in Europe. The green passenger carrier has managed to increase demand by capturing customers who want to reduce their own emissions. The adoption of EVs has also lowered the total cost of fleet ownership thanks to improved efficiency and reduced taxes, particularly in city centres. It has given Green Tomato Cars access to new markets that require specific green credentials – such as government, public and third sector organisations – and increasingly corporate customers too.

Exhibit 2:

## Sustainability market segments outgrow their counterparts through green price premiums



1. 36 categories examined held the largest dollar volume; in a few cases, smaller categories were included to ensure fair representation of all major CPG segments

Source: Source: NYU Stern CSB sustainable share index 2020, McKinsey Gen Z and Millennial survey 2019 (N=9000), ReGenerate ‘The case for purpose-driven business’ (2020)

While investment costs have acted as a barrier to SME transformation until now, NatWest research estimates that 55-70% of business cases to reduce emissions will make financial sense for SMEs by the end of this decade. Opportunities exist in virtually every sector of the economy, but businesses in the Transport, Agriculture, and Industrial sectors provide the most obvious immediate sources, through a broad set of levers and with positive business cases (Exhibit 3). SMEs in the Transport sector, for example, could abate 17 mega tonnes of carbon dioxide equivalent (MtCO<sub>2</sub>e) by 2030 from £20 billion of incremental investment,<sup>8</sup> through a range of levers including electrification and route optimisations; over 90% of these

business cases are likely to prove viable by 2030, driven by on-going cost reduction and increased availability of technologies.

Despite the growing number of positive business cases, SMEs still face barriers to act, as demonstrated by David\*, who owns and operates a taxi and private driver business in one of the UK's largest cities.

David is considering replacing his cars with a fleet of new EVs. Electrifying his fleet of 20 vehicles makes good business sense; an initial CAPEX outlay of around £0.5 million, (equivalent to £68,000 additional cost to traditional fossil fuel-powered cars), would result in about £48,000 additional EBITDA per year through cost reduction (as fuel

### Exhibit 3:

## Breakdown of business cases by sector



**Low business case viability**  
 <20% of investment with positive business case

Example levers:

- Synfuels in aviation and shipping
- Green hydrogen
- Green steel production
- Blue hydrogen production from ammonia
- CCUS in cement
- Manure management
- Low carbon livestock diets

**Medium business case viability**  
 ~20% - 80% with positive business case

- District heating
- Heat pumps
- Low-carbon heavy goods vehicles
- Low-carbon crops

**High business case viability**  
 >80% with positive business case

- Renewable electricity
- Electrification of cars and vans
- Electrification of agriculture machinery
- Electrification of industrial heat (at temperatures <100°C)
- Cascaded heating processes
- Solar thermal heating

Note: 55-70% estimate makes an assessment of SME business case positivity on a level-by-level basis, weighted by investment required for each lever. The analysis only evaluates costs and excludes any revenue assumptions, some of the levers (e.g. green steel) may be positive when factoring in a green price premium.

Source: Analysis drawn from ONS, BEIS and other industry data sources

<sup>8</sup> Analysis drawn from the CCC Sixth Carbon Budget data source  
 \*David is a fictional example for illustrative purposes. See Methodology note on page 9.

price savings) and pricing premiums, and abate around 635 tCO<sub>2</sub>e over five years. David doesn't act for a number of reasons. Growing demand for EVs has pushed the initial capital costs too high and he does not trust EV infrastructure to run his fleet. He is also unaware of potentially low-cost alternatives, like telematics, that offer a different avenue for reducing emissions and saving money. David needs support to understand better the opportunity and the value to his business. He needs access to relevant sector expertise and skills to drive climate action, and access to funding – potentially at preferential rates – to de-risk his investment.

Support is also needed for those SMEs struggling to realise a return on investment, despite taking concrete steps to reduce their emissions. Take Ravi\*, an SME farmer in Cambridgeshire, who has already tried several ways to reduce his carbon footprint but hasn't been able to turn this action into profit.

Ravi is re-wilding hedgerows, changing farming practices, and exploring alternatives to diesel machinery but he does not see a positive financial business case for his abatement efforts. He also lacks some of the expertise required to implement many of these levers to full effect. Ravi needs deep engagement with other farmers who can demonstrate the skills to deliver the benefits, such

as improved yields from re-wilding. He also needs access to alternative revenue streams with sufficient returns, such as carbon-trading markets, consumer premiums, and market access.

Both David and Ravi need guidance and practical support to drive down their emissions and drive up business value. Investment is also needed in enabling infrastructure, such as EV charging points for David's business. Without direct help and a supportive business environment, they may remain unable to fully grasp the opportunities available to them. However, a range of actions by different stakeholders can help turn negative business cases into positive ones, including regulation and incentives, access to pricing premiums, and access to new market opportunities, like carbon trading markets.

**“ A range of actions by different stakeholders can help turn negative business cases into positive ones. ”**

\* Ravi is a fictional example for illustrative purposes. See Methodology note on page 9.

# Beira

## Slow fashion start-up sees steady rise in revenue

Based in Scotland, but manufacturing in Italy, this sustainability-conscious brand started trading womenswear in 2019 by remanufacturing discarded materials from the luxury fashion industry. The micro business, with a turnover of £10,000 in 2020, emphasises a circular sourcing strategy, price transparency, and focus on social justice.

Dr Antoinette Fionda-Douglas, Co-Director, says: “Working with NatWest has been hugely positive, and I would recommend it to any female entrepreneur who is trying to make a difference. NatWest’s Climate Accelerator programme has given me some brilliant resources and insight through webinars, guest speakers, and community groups. Challenging my skills set, it has truly helped me think bigger.”

After struggling initially to gain traction, [Beira](#) improved its distribution strategy and is now enjoying increased customer numbers and revenue growth.

**“Working with NatWest has been hugely positive, and I would recommend it to any female entrepreneur who is trying to make a difference. NatWest’s Climate Accelerator programme has given me some brilliant resources and insight through webinars, guest speakers, and community groups. Challenging my skills set, it has truly helped me think bigger.”**

Dr Antoinette Fionda-Douglas , Co-Director

# The opportunity to unlock growth by delivering wider climate action

Aside from the possibilities for SMEs to reduce their own emissions and drive business value as a result, SMEs can also capture significant market opportunities in the transition to net zero by delivering wider climate action, such as through scaling the deployment and installation of green technologies.

This opportunity is, by nature, distributed across the UK's incredibly diverse SME sector. For example, many SMEs have a central role to play in the installation of decarbonisation technologies in buildings

and the energy sector, as well as in reforestation. Opportunities include the development or installation of solar thermal collectors, installing EV charge points, retrofitting houses with heat pumps and insulation, installing renewable power generation equipment, and even creating products and services that can capture and process methane-rich gas from landfills.

Delivering climate action in these areas represents significant business opportunity for SMEs that could create up to £160+ billion in revenue by 2030 (Exhibit 4).

## Exhibit 4:

### Largest use cases for SMEs

Unlocking wider abatement represents a £160bn+ opportunity for UK SMEs<sup>1</sup>

		Revenue opportunity, £bn	Abatement, MTCO <sub>2</sub> e	Key driver
Residential retrofitting		60-65	1	5m homes fitted with insulation
Installing offshore wind power capacity		30-35	4	~9 GW per year renewable capacity installed by 2030
Installing residential heat pumps		25-30	6	3m homes fitted with heat pumps
Installing non-residential building heat pumps		20-25	2	290k buildings installed with heat pumps
Installing solar power capacity		10-15	2	~10 GW per year renewable capacity installed by 2030
Installing onshore wind power capacity		5-7	1	~3 GW per year renewable capacity installed by 2030
Installing EV charge points		2-5	17	~125k EV chargers installed by SMEs
Delivering reforestation projects		1-2	2	240k Ha planted with conifers and broadleaf
Hydrogen and bioenergy supply		1-2	0.5	8.5 TWh of hydrogen and bioenergy capacity installed
Upgrades to the electricity grid		1-2	11	52 TWh increase (2020-2030) in total electricity demand
Producing alternative beef products		0.5-1	0.1 – 0.3	40 – 80k tonnes of alternative beef products sold 2021– 2030

1. Prioritised shortlist of the biggest opportunities for SMEs - other revenue - generating levers exist in the circular economy, consumer goods and advisory services subsectors, among others

Source: Analysis drawn from the CCC Sixth Carbon Budget, ONS, BEIS and other Industry data sources

To capture this £160+ billion prize, SMEs would need to support, among other things, 5 million insulation and 3 million heat pump retrofits (85% of the UK total), 125,000 EV charge point installations (48% of UK total), and installation of 22GW of renewable power capacity per year (34% of UK total)<sup>9</sup>.

By delivering residential retrofitting, installing renewable power equipment, installing electric vehicle charge points, delivering reforestation projects, and supplying hydrogen and bioenergy and

upgrades to the electricity grid, SMEs could also create up to 130,000 new jobs.<sup>10</sup> This uplift would spawn many new businesses – around 30,000 new SMEs altogether, by NatWest’s estimation. Given the regional distribution of demand for these technologies, and especially in the case of forestry, for example, these installations offer highly distributed coverage across the country, potentially even skewed towards the rural economy (Exhibit 5).

Exhibit 5:

### Regional presence of green-economy scaleups



Source: ScaleUp Institute (2021 reporting)

The ScaleUp Institute has identified 282 green economy companies that have broken through the £10.2m barrier. They employ a combined total of 43,922 people and have combined turnover of £9 billion. The average member of this cohort of scaleups employs 156 people with revenues of £31.7 million.

<sup>9</sup> Percentages refer to the total abatement opportunity that SMEs can obtain, estimated as equivalent to the proportion of revenue earned by SMEs in relevant sub-sectors

<sup>10</sup> Job estimates refer to direct jobs created by incremental revenue and estimated using the OECD direct jobs multipliers and revenue data from ONS

Further, SME opportunities emerge in a number of themes and sets of capabilities – such as Clean Buildings, Energy Infrastructure, and Transportation. Harnessing these “clusters” could create opportunities for deeper collaboration, peer support, and coaching between SMEs.

This opportunity – and the potential our highly innovative scaling SMEs operating in the Green Economy have – is exemplified in the ScaleUp Institute’s inaugural Green Economy Index<sup>11</sup> which reflects the diversity of opportunities, sectors, and burgeoning clusters across the country.

Harnessing these “clusters” – a clear driver of local scaleup growth as identified by the ScaleUp Institute’s work<sup>12</sup> – will be good for all communities up and down the country but will demand greater coordinated collaboration; knowledge sharing; peer support; and access to relevant skills and growth capital from educators and financiers.

However, while many SMEs recognise that reducing carbon emissions is important (69% in a recent NatWest survey of 800 UK SMEs), only 6% of those surveyed who view it as important also deem it to be a source of growth. Instead, many see saving the planet as its primary value.

To illustrate, consider Emily\*, a plumber, who is faced with a decision about whether to focus on a green technology or stick with her traditional business model. She is considering training her staff to install heat pumps, rather than gas boilers, in residential homes but hasn’t acted on the opportunity given several internal and external barriers. She isn’t fully convinced about the future demand for heat pumps and the potential value of this transition. Emily also faces the perennial problem encountered by many SMEs: lack of funds. She does not have the capacity or money to train her staff to install heat pumps, and she is uncertain how heat pump technology will evolve over time.

Emily needs support to understand better the business opportunity presented by heat pump installation. She needs to provide the relevant training to her employees and get access to specific debt and equity financing to grow this new business line.

**“Emily faces the perennial problem encountered by many SMEs: lack of funds.”**

<sup>11</sup> This index highlights scaleup companies that are over £10.2 million in size, have assets of over £5.1 million, or have more than 50 employees, and that are engaged in the green economy: <https://www.scaleupinstitute.org.uk/wp-content/uploads/2021/05/ScaleUp-Green-Economy-Index-Final.pdf>

<sup>12</sup> The ScaleUp Institute published detailed research in to the Drivers of Local Growth in our 2020 ONS Insights report, which - using regression analysis - showed scaleup growth to be driven by access to Skilled Talent, Equity and Growth finance, and Access to Clusters and Hubs: [https://www.scaleupinstitute.org.uk/wp-content/uploads/2020/08/ScaleUp-Insight-2020\\_ONS\\_Data.pdf](https://www.scaleupinstitute.org.uk/wp-content/uploads/2020/08/ScaleUp-Insight-2020_ONS_Data.pdf)

\* Emily is a fictional example for illustrative purposes. See Methodology note on page 9.

# Bulkify



## Web-based platform groups customers to make sustainable foods affordable

**Bulkify** is a new service that makes it quick and easy for people to access zero waste sustainable groceries.

The statistics about plastic, a nearly indestructible material, are simply staggering. First industrially produced in 1907, today global plastic production has reached 367 million tons annually. Over the last decade, more plastic has been produced than ever previously. It's estimated that more than 10 million tons of plastic is dumped

into our oceans every year. Single use plastic packaging from groceries creates 2.9m tonnes waste annually in the UK, equivalent to about 114 billion pieces annually, and ~4.8m tonnes of CO<sub>2</sub>.

Clare Brass, Chief Customer Experience and Sustainability Officer, says: "NatWest support has been fundamental in the development and growth of our business, giving us amazing mentoring support all the way through. With top class mentors,

a great network, and a constant flow of information about funding and other opportunities, the NatWest team has really helped us at every step. I can honestly say that it has enabled us to reach our goal much more quickly than would have been possible without this support."

During the year ending mid-2021, Bulkify has raised almost £100,000 in grants and angel investment.

**"NatWest support has been fundamental in the development and growth of our business, giving us amazing mentoring support all the way through."**

**Clare Brass, Chief Customer Experience and Sustainability Officer**

# Bold action needed now: capturing the opportunities to unlock business value and growth

There is still much work to be done to involve SMEs in the UK's green transition, but there is much to be gained from doing so. Many SMEs are simply unaware of the opportunities available to them, or haven't yet fully engaged with the imperative to act. At the same time, SMEs face difficulties accessing investment capital and continue to endure challenging financial circumstances compounded by ongoing complexities caused by Brexit and the COVID-19 pandemic.

Financial institutions, government, industry bodies, and large corporates all have a part to play in unblocking many of the barriers to unlock the SME climate opportunity. Action is needed in six key areas:

1. **Funding access:** SMEs require financing options that reflect the societal benefit of delivering climate action to ensure that business initiatives make financial sense. Incentives and access to pricing premiums can further improve business case positivity.
2. **Awareness:** SMEs need support to recognise the strengthening opportunity from climate action.

This support needs to be applied to their specific business context and should highlight the key skills and capabilities required to transition successfully.

3. **Knowledge:** SMEs need help to improve their climate action knowledge, specifically (i) their ability to easily and simply measure and report climate impact in line with the range of standards and rulebooks that exist, and (ii) sector-specific knowledge on how to reduce their impact – for example, through new farming practices or heat pump installations.
4. **Skills and capabilities:** SMEs need support to develop new skills to deliver business change, including re-training and upskilling employees and achieving relevant accreditations and certification. They also need specific management capabilities finetuned to meet the challenges and opportunities of a low-carbon economy.

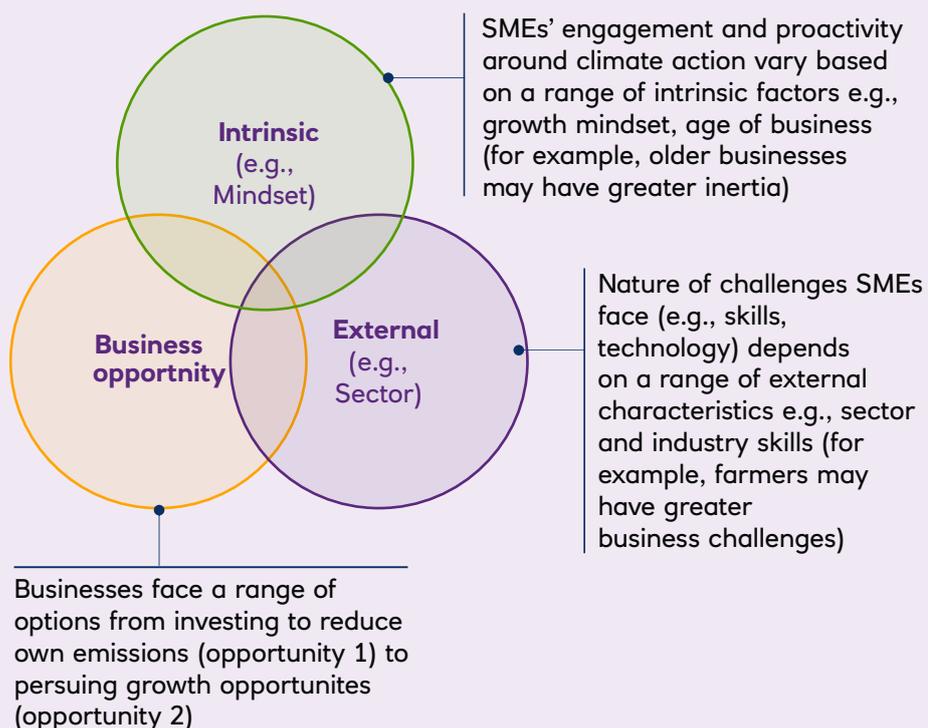
5. **Market access:** SMEs looking to unlock broader climate action need improved financial certainty of the benefits of doing so. For example, regulation can help to ensure that roll-out rates for infrastructure like EV charge points identified by the Climate Change Committee are achieved, or to reduce the costs of the transition.
  
6. **Navigation:** Finally, SMEs need support to navigate the complex and evolving landscape, including prioritising different opportunities, understanding what support is available, and, ultimately, realising the benefit to their businesses. Government and regulators

can make sure that carbon reporting frameworks are appropriate for SMEs by being neither too onerous nor costly to complete.

While these thematic challenges exist across the SME landscape, it is important to recognise the distinctive context in which each SME operates. Building on NatWest’s previous SME research released earlier in 2021 – *A springboard to recovery: Building back better together* – three key dimensions are found to influence how an SME responds to climate action (Exhibit 6):

Exhibit 6:

## SME willingness and ability to act is shaped by three dimensions



- Intrinsic (internal) business factors, such as age of business and mindset, influence the level of support needed to drive SME awareness and engagement.
- External factors, such as those related to emerging technology, determine the level of support required to boost SME skills and capabilities.
- The availability of a positive business case defines what type of financing support may be required.

A number of enabling interventions can make it easier for SMEs to act on the opportunities. Government, regulators, and the private and public sectors can consider specific actions such as developing a clean local energy accelerator that supports businesses to generate their own renewable energy; digital learning portals and online communities to support peer networking; bootcamps to support SMEs in developing brand strategies; fintech to help SMEs measure their climate impact; and access to targeted finance. In the Transport sector, for example, a low carbon taxi accreditation system could enable businesses to demonstrate and leverage their climate action credentials.

Stakeholders can also work together to transform the long-term outlook for harder-to-transition sectors with fewer positive business cases. Here examples include supporting farmers to understand and implement new farming practices like re-wilding, and access new revenue streams through carbon trading marketplaces. Developing an online low carbon agricultural commodity marketplace, for example, could help connect farmers directly with customers across the value chain.

Finally, it will be crucial to create a conducive business environment and build confidence in future returns on investment. Supporting EV charge-point installers to rapidly scale deployment through the provision of suitable capital, streamlining procurement processes with local authorities, and helping to train and upskill employees are all key enabling interventions to consider.

**“SMEs need support to navigate the complex and evolving landscape...”**

# How NatWest will support SME climate action

SMEs are a cornerstone of the UK economy, giving them an important role to play in delivering the UK's abatement targets. However, decarbonisation is also a high potential, if at present, underappreciated, source of growth. SMEs face a range of barriers to delivering climate action and NatWest is committed to helping level-up the SME landscape, driving productivity, and encouraging SMEs to thrive.

The Bank is setting out a range of interventions that directly respond to the findings of this report, built around four pillars:

1. Ensuring SMEs have access to the funding they need
2. Helping SMEs know where they stand in relation to their business and climate footprint
3. Supporting SMEs to identify the biggest opportunities for their business
4. Helping SMEs navigate the climate action landscape and connecting businesses to resources and insights relevant to their situation

## **Pillar 1: Ensuring SMEs have access to the funding they need**

- NatWest Group will commit to providing £100 billion of funding

by 2025 to support the investment the UK needs, including business investment to make the transition to net zero. This £100 billion Climate and Sustainable Funding and Financing target marks a step-change in NatWest's support and demonstrates the Bank's ambition to support climate and sustainable assets, activities, and businesses to advance the net-zero economy.

- The Bank is also announcing the creation of climate financing options, including green loan and asset finance solutions to support SME customers in their transition journeys.
- NatWest will launch a Climate and Sustainable Funding and Financing awareness building series. This will include events and engagement, focusing on climate transition financing and alternative funding, such as grants and equity investment.

## **Pillar 2: Helping SMEs know where they stand in relation to their business and climate footprint**

- NatWest will support business banking customers to understand their carbon footprint. This will include a tracker designed

specifically for SMEs, in partnership with CoGo.

- NatWest commits to helping customers develop sector-specific transition plans. Recognising the opportunities for Agriculture and Manufacturing highlighted in this report, the Bank will invest in technology and work with industry partners in these sectors. Initial partners include The Sustainable Food Trust, NFU Energy, High Value Manufacturing Catapults, and Ricardo Energy & Environment.

### **Pillar 3: Supporting SMEs to identify the biggest opportunities for their business**

- Across the UK, NatWest will launch six specialist Accelerators, connecting with regional centres of excellence, that will include Clean Transport, the Circular Economy, and Transition to Net Zero.
- NatWest will educate SME customers on their climate responsibilities and opportunities through its Business Builder learning platform.
- With Transport representing 27% of Greenhouse Gas emissions in the UK, NatWest is committing to supporting customers in their Electric Vehicle (EV) transition journeys, including seizing the opportunity of electrification. Initiatives will include:

- Developing an education and awareness toolkit on the opportunities that ‘Future Mobility’ can present to SMEs, as an extension of this report.
- Collaborating with partners to deliver a Clean Transport Accelerator, specifically aimed at developing innovative solutions;
- Launching an EV diagnostic tool to help customers understand when, and how, to transition;
- Financing through a bespoke EV transition Lombard Asset Finance solution; and
- Extending the Octopus partnership to support customers with the infrastructure requirements of transitioning to EVs.

**“NatWest commits to helping customers develop sector-specific transition plans.”**

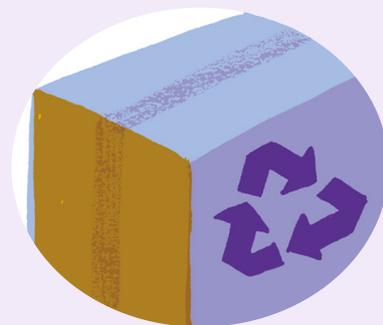


#### **Pillar 4: Helping SMEs navigate the climate action landscape and connecting businesses to resources and insights relevant to their situation**

- Climate will be a key priority for the Bank's newly formed Regional SME Taskforce boards. NatWest will lead dialogue and collaboration in local ecosystems with key stakeholders, bringing the voice of SMEs into these forums. NatWest will also act as a conduit between public and private sectors to identify and remove barriers to growth, including, but not limited to:
  - Holistic growth funding
  - Regional infrastructure requirements (including EV charging point roll outs and clean air requirements)
  - Sustainable supply chains
  - Regulatory landscape
- NatWest will support SMEs to develop new skills and capabilities to deliver a business transition. All the Bank's commercial banking relationship managers will undertake climate training in partnership with Cambridge and Edinburgh Universities.

- In addition to helping SMEs build their climate action knowledge, the Bank will:
  - Ensure 25% of the bank's Accelerator spaces are ringfenced exclusively for climate businesses.
  - Launch a bespoke mentoring platform with a focus on connecting businesses to climate expertise from within the NatWest network.

**“Climate will be a key priority for the Bank's newly formed Regional SME Taskforce boards.”**



**NatWest is working with partners across the UK business landscape to support SMEs in turning climate opportunities into real business plans.**



## **COGO**

### **CoGo to develop a carbon tracking tool for Business Banking customers**

Recognising the vital role SMEs play in building a more sustainable future, NatWest is committed to supporting SMEs to grow and scale through sustainable means. While the individual footprint of an SME may be relatively small, collectively SMEs make up a significant proportion of the overall

carbon footprint produced by UK businesses. Supporting SMEs in an industry first, NatWest has partnered with carbon-tracking expert CoGo to pilot a carbon footprint tracker for Business Banking customers.

In January 2022, the SME carbon footprint tracker will

be piloted with up to 500 NatWest Business Banking customers. During the pilot, business users will be able to see their CO<sub>2</sub> emissions based upon spending habits and help users understand the actions they can take to reduce the environmental impact of the business.



## ScaleUp Institute finds broad geographic spread for green scaleups

The ScaleUp Institute's recent research into green economy scaleups indicates they are distributed widely across the UK, with no region accounting for more than 15% of the total number.

There are emerging clusters of environmentally focused businesses throughout the North, focused around cities like Sheffield, Leeds, Aberdeen and Edinburgh.

The North West region as a whole outstrips London in number.

This regional strength and depth is even more marked when ranking by combined turnover. The North West comes first (£1.5 billion), ahead of the South East (£1.1 billion), West Midlands (£949 million), Northern Ireland (£883 million) and London (£810 million).

The North West is also

the top performing region in terms of green scaleup employment, while the South East is leading in funding raised.

NatWest partner, the ScaleUp Institute, is a private sector, not-for-profit company focused on making the UK the best place in the world to scale up a business.

**“Recent research into green economy scaleups indicates they are distributed widely across the UK, with no region accounting for more than 15% of the total number.”**



## Microsoft climate action means opportunities for green SMEs

Microsoft is working in partnership with NatWest to develop 'Cut the Carbon'. This initiative will empower NatWest's customers to measure, manage and reduce their footprint. The initiative will also support the bank in having great conversations with its customers about the solutions that are available to address our shared responsibilities in tackling

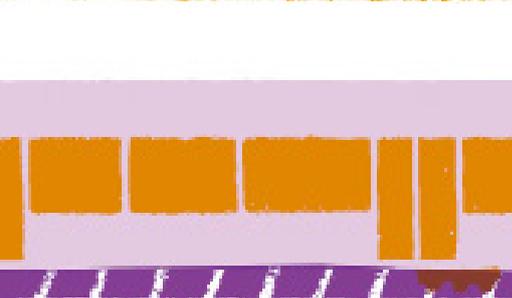
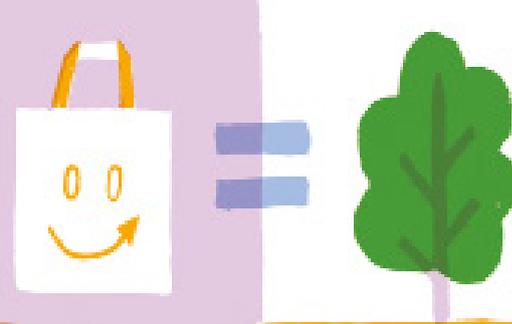
climate change and to evaluate the impact of their current and future footprint on the bank's balance sheet.

Microsoft has also developed and announced a range of measures to help reduce its carbon footprint and help it achieve its goal of becoming carbon negative across scopes 1, 2 and 3 by 2030, with

implications for SMEs in their supply chain. These measures clearly signal the opportunity for SMEs who are able to reduce their emissions, and therefore participate in Microsoft's supply chain. They also demonstrate the revenue opportunity for SMEs who are delivering goods and services to help others deliver abatement.

“The road to **net zero** will require SMEs in the UK to drive **innovation** and to support individuals, organisations and the Public Sector to achieve ambitious climate targets. At **Microsoft** our commitment is to be **carbon negative by 2030** and by 2050 Microsoft will remove from the environment all the carbon the company has emitted since it was founded in 1975. We welcome the **partnership** with NatWest's '**Cut the Carbon**' initiative. We need both increased capacity and rapid innovation and there's an enormous **opportunity for SMEs** to participate in both.”

Clare Barclay, Chief Executive Officer, Microsoft UK



# How SMEs can seize the opportunity

## Kickstarting your green transition: a checklist for SMEs

Many SMEs are already realising bottom-line benefits from their carbon-reduction efforts and innovation, but many more can join the green transition to seize the economic and climate benefits up for grabs.

Businesses like Cooper King Distillery, slow fashion start-up Beira, and direct-to-consumer organic food platform Bulkify have all captured climate-conscious consumers to grow their revenue, with help from NatWest's Climate Accelerator Programme.

As SMEs consider decarbonisation, the following questions can help provoke concrete actions and new strategic thinking.

Questions for your business	If you answered yes, it's good to know...
Do you own vehicles?	<p><b>By 2030, you may be able to save money by switching your SME's fossil-fuel powered cars to electric vehicles (EVs).</b></p> <p>It is already cost-effective to purchase EV cars and vans with a high annual mileage (~50,000 km) and the Climate Change Committee (CCC) expects a total of 18 million electric vehicles will be part of the UK's car park in 2030, with a ban on the sale of fossil-fuel powered vehicles deployed in 2035.</p>
Do you own the premises where you are based?	<p><b>Installing heat pumps and insulation can often save businesses money in heating bills.</b></p> <p>Additionally, decarbonising your heat consumption can protect your business against future taxes on carbon emissions.</p>

<b>Questions for your business</b>	<b>If you answered yes, it's good to know...</b>
Do you own farmed land?	<p><b>A range of agriculture and livestock decarbonisation measures may result in cost savings</b> – for example, nitrogen use efficiency, electric tractors and the use of livestock waste as fertiliser – with the added benefit that <b>primary processors are increasingly looking to switch to low-carbon produce</b>. The CCC estimates that by 2030, 3 million hectares will need to support low-carbon crop farming methods.</p>
Do you rely on machinery that requires fossil fuels?	<p><b>Energy efficiency measures and electrification of machinery in the manufacturing sector can be cost-effective</b> for some businesses. Additionally, if you own machinery that requires fossil fuels and you are considering investing to upgrade or maintain it, you may decrease your risk of having stranded assets if you phase it out for low-carbon alternatives now.</p>
Do you serve large corporates or public institutions?	<p><b>Decarbonisation can ensure that you remain eligible to serve large corporates and public bodies:</b> Over 75% of FTSE 100 companies require SME suppliers to report their emissions and the Department for Business, Energy and Industrial Strategy recently introduced a range of regulations that will likely strengthen their procurement processes.</p>
Do you sell consumer goods whose marketing you control?	<p><b>Decarbonising your emissions can help differentiate your product offering and expand your business:</b> Over the past five years, sustainability-marketed products have grown at 5x the rate of conventional ones. What's more, 26% of Millennials and 31% of Gen Z consumers are willing to pay a price premium for products that they believe are good for the environment.</p>

<b>Questions for your business</b>	<b>If you answered yes, it's good to know...</b>
<p>Are there opportunities for your business in deploying the major decarbonisation technologies?</p>	<p><b>If your business is in a fossil-fuel intensive sector, there may be an opportunity to move to low-carbon alternatives.</b> As consumer preferences shift to low-carbon products, SMEs can address consumer demand. For example, the CCC expects 3 million heat pumps will need to be installed by 2030; significant demand that could be supplied by SMEs.</p>
<p>Are there opportunities for your business in delivering a sustainability-focused offering?</p>	<p><b>If your business offers professional services, the net-zero transition may represent an opportunity to expand into the sustainability space.</b> Sustainability advisory, reporting, certification and accounting services represent an opportunity for SMEs that can be fulfilled with relatively low capital investment and employee training.</p>
<p>Do you own land that could generate carbon credits?</p>	<p><b>If your business owns land – whether farmed or unused – you may be able to make money by selling carbon credits.</b> A range of businesses make money from selling their negative emissions and the UK has domestic carbon programmes in place for woodland creation and peatland restoration.</p>
<p>Do you work in a fossil-fuel-intensive industry?</p>	<p><b>Decarbonising your emissions can ensure you are unaffected by regulation to accelerate the net-zero transition.</b> In construction, for example, the UK government is currently considering requiring that new housing adheres to more stringent energy ratings and the CCC estimates that 2 million new homes will need to have built-in heat pumps by 2030.</p>



**For more resources to help grow your business, visit NatWest's free Business Builder [website](#).**



**And for more on green banking visit the NatWest Climate [hub](#).**

TOMORROW  
BEGINS  
TODAY



NatWest

