

# The Move to a Green Economy: a Guide for Small Business

## Why is this important?

**There is a strong case for moving the UK economy onto a greener footing.** We need an economy that is environmentally sustainable, that is more resilient against significant changes to prices of fossil fuel and other natural resources, and that is well placed to take advantage of the massive business opportunities presented by the global shift to a green, low-carbon, resource-efficient economy.

The move to a green economy will have a far-reaching impact and will affect all sectors of the economy. Successful businesses will need to ensure they are resilient to changes in climate, look at new technologies, business models and production processes, use resources and energy more efficiently and respond to changing consumer demand.

## Opportunities

### New or expanding markets

The transition to a green economy will create opportunities across the economy. The UK's low carbon environmental goods and services (LCEGS) market is the world's 6th largest, worth £112 billion and employing over 900,000 people. Small businesses make up 91.5% of this sector<sup>1</sup>.

Decarbonisation of energy generation, transport and buildings will all create business opportunities. For example, the Green Deal<sup>2</sup> will boost demand for the installation of energy efficiency measures such as loft insulation and cavity wall insulation, creating opportunities for the many small businesses that operate in these sectors.

<sup>1</sup> "Low Carbon and Environmental Goods and Services: an industry analysis, update for 2008/09", Innovas, March 2010

<sup>2</sup> A framework which will enable businesses to offer energy efficiency improvements to buildings at no upfront cost, recouping payments over time through energy bills. The Green Deal will start operating in autumn 2012.

Markets for renewable resources such as timber are likely to expand and new markets for ecosystem services such as water purification will be created.

Businesses acting in a more sustainable way and/or producing greener goods and services will be able to take advantage of changing consumer demand. In addition, small businesses may need to demonstrate their green credentials to win contracts with large suppliers who themselves will be ever more conscious of their green reputation.

### Exports

The transition to green economy is not something that will happen in the UK alone – it will be a global change. The global low-carbon market is worth more than £3 trillion and is projected to reach £4 trillion by 2015 as economies around the world invest in low-carbon technologies across a broad range of sectors.

Expanding markets for greener goods and services in other countries will create opportunities for companies to increase exports. In 2008, UK LCEGS exports were £10.8bn. A large share of our exports goes to Southeast Asia and our top trading partners are: China and Hong Kong (£1.3bn exported), Spain (£500m) and South Korea (£460m).

The UK has strong revealed comparative advantage in traditional environmental goods and services such as recycling and water treatment (i.e. we can produce them at lower cost). However, emerging renewable energy sectors (such as wind and solar power) and carbon finance are our strongest growth areas, both in terms of sales and employment. Newer technologies, such as wave and tidal energy, currently do not have large private sector sales but have the potential to be large sectors in the future.

While UK businesses are well placed to seize the opportunities in a green economy, more work is being done to understand, not just where our strengths lie, but where other future green opportunities will arise and over what timeframe. UK businesses seeking to export to overseas markets can get support and advice from **UK Trade & Investment (UKTI)**.

## Resource efficiency

In addition to environmental benefits, improved resource efficiency can deliver major cost savings and increased competitiveness for UK businesses. Recent Government research<sup>3</sup> identifies about £23 billion a year of potential savings to UK businesses from using raw materials, energy and water more efficiently in ways that need no or only small-scale investment (payback in one year).

The Carbon Trust offers loans and other financial products to businesses seeking to reduce their energy use as part of an **Energy Efficiency Financing** scheme.

The **Waste and Resources Action Programme (WRAP)** helps businesses reap the benefits of reducing waste and using resources more efficiently. Some simple tips on increasing resource efficiency and saving money can be found [here](#).

## Challenges

### Scarcity and cost of resources

Access to resources such as rare earth metals could become a growing issue for businesses, and pressure on the supply of natural resources such as water may require businesses to think differently. The cost of resources, particularly energy, is expected to rise.

There are a number of strategies open to businesses to mitigate the risks. These include reducing the need for raw materials and energy through efficiencies in production processes, and research into alternative raw materials that could be used and identification of new supplies. Better metering and monitoring of processes and energy consumption will help drive efficiencies.

### Taking action now

The effects of climate change are already with us and we will increasingly feel their impact over the next 50 years. Altering our behaviour to respond to this impact is known as 'adaptation'. It means

not only protecting against negative impacts, but also making us better able to take advantage of any benefits.

BusinessLink<sup>4</sup> contains **guidance on adapting to climate change**, covering both risks and opportunities. For example, some businesses will need to consider redesigning buildings to cope with extreme weather, whereas the building trade may see an increase in demand for such alterations.

## Support and further information

### Innovation

Businesses looking to develop new green goods and services can turn to several sources of help. Government support for technological innovation is available through the **Technology Strategy Board (TSB)**, which provides a number of programmes to demonstrate and develop new technologies, and to link developers and inventors to academics and sources of funding. Other bodies, such as the **Energy Technologies Institute (ETI)** and the **Carbon Trust**, also provide funding and support.

There are also various EU funds available, and the European Commission has published a **practical guide** to help business identify the most appropriate funding scheme for them. Furthermore, the TSB has established a **National Contact Point** to guide and support UK businesses in accessing funding under the European Commission's Competitiveness and Innovation Framework Programme.

The Intellectual Property Office (IPO) has introduced a **Green Channel** to support businesses to develop and commercialise environmentally sound technology by fast-tracking patent applications for inventions which have an environmental benefit.

<sup>3</sup> 'The further benefits of resource efficiency' Defra, March 2011

<sup>4</sup> The Government's information portal for small and medium size businesses.

## Access to finance

There are a range of options available for businesses seeking to access finance. **Business Link** provides advice on securing finance and attracting investment, as well as links to further sources of advice.

Initiatives to improve access to finance include:

- The **Enterprise Finance Guarantee** (EFG) scheme, which enables lending to viable businesses that lack sufficient collateral or track record to secure a normal commercial loan.
- A new **Export Enterprise Finance Guarantee**, providing finance for businesses seeking working capital to export.
- **Enterprise Capital Funds** – providing early-stage risk capital for innovative SMEs with high growth potential, which struggle to access finance from informal investors or venture capitalists.
- A new **Business Growth Fund**, funded by the UK's major banks and providing equity investments for established SMEs that are looking to grow.
- In addition, in January 2012, the Government will roll out a network of Business Coaching for Growth centres across England to provide tailored support including specialist investment readiness training for high growth potential SMEs seeking equity finance.

## Green skills

The transition to a green economy presents businesses across the economy with the challenge of ensuring their workforce have the appropriate skills. This varies from specialist skills required in the LCEGS sector to those needed to help all businesses use natural resources efficiently and sustainably and to be resilient to climate change.

**Business Link** can help identify skills needs and provision, and local colleges and training providers offer off-the-shelf courses and qualifications at the appropriate level. These courses and qualifications can often be tailored to specific need. **National Skills Academies** support training across a range

of sectors and the **National Apprenticeship Service** can help a business take on apprentices.

## Reducing your carbon footprint

There is much that businesses can do to reduce their carbon footprint. Many of these measures will result in resource and energy efficiencies, and therefore reduced costs. For example, inserting timers on a lighting system or giving proper consideration to the layout of an office space can cut energy bills.

Business Link provides a wealth of information on **environmental matters**, including advice on **measuring your carbon footprint, reducing your carbon emissions and using resources (including energy) more efficiently**. There are several other sites that provide advice on reducing **waste**, reducing **energy costs** and improving **resource efficiency**.

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