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Article

COP28: Implications and opportunities for small businesses

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Please note this content was curated for SME businesses in the UK

Until recently, small businesses have been on the margins of climate conversations. Compared with their big business counterparts, their carbon footprint is relatively small. Monitoring and reducing carbon emissions sounds costly and complicated. And seeking ways to be more 'green' can easily be shunted down your list of priorities when navigating today's challenging financial environment. In any case, at present, there is no mandatory requirement for most small and medium-sized companies to report on their carbon footprint.

However, at the COP28 climate summit in November last year, the UK signed up to a landmark international agreement to transition away from fossil fuels. It was a significant moment with wide-ranging implications for businesses of all sizes. If we

are to meet the critical target of net zero by 2050 (necessary to keep global heating below 1.5°), companies around the world will need to identify and steadily reduce their emissions. And that means smaller businesses too.

Although current environmental regulations mainly apply to larger companies, new frameworks from the International Sustainability Standards Board and Corporate Sustainability Reporting Directive suggest an increased focus on small and medium-sized enterprises.

At the same time, a recent study showed that small businesses account for around half of UK companies' greenhouse gas emissions (and a third of total UK emissions). So, the UK's journey to net zero by 2050 heavily relies on small businesses playing their part. Put simply, if you haven't already, it's probably a good idea to start thinking about your business's path to net zero.

This article sets out the implications and opportunities of the COP28 climate agreement for UK small businesses. We'll also outline some actions that can give you a head start on making your business greener.

Four practical green actions for your business

With every COP climate conference, the climate crisis becomes more urgent and more environmental regulations for business are introduced. It could save time, energy and expense in the future if you take steps to record and reduce your carbon emissions now.

There are 5.47 million businesses in the UK with fewer than 50 employees **(1)**. And there is a wide range of awareness levels and attitudes towards decarbonisation. But the vast majority (94%) of small businesses are taking **at least one physical action** to reduce their emissions.

Here are some practical ways you could get started or accelerate your journey towards net zero.

1. **Measure your carbon footprint**

A good idea could be to start with an audit of your current carbon footprint. This way, you can measure your future success against the steps you've taken. You can also begin the process of carbon reporting, which COP28 suggested will be increasingly critical.

Your carbon footprint is the amount of greenhouse gas emissions released into the atmosphere as a result of your business operations. It is made up of three classifications:

- **Scope 1 emissions**, which include emissions directly caused by your business, such as those from company cars or boilers
- **Scope 2 emissions,** which are indirect emissions, typically those caused by your company's energy suppliers
- **Scope 3 emissions**, which are indirect emissions outside of your direct control, such as pollution from staff commuting into work

You can find out how to calculate all these emissions and measure your carbon footprint **here.**

2. **Reduce your waste**

Cutting down on waste is a great way to reduce harmful emissions from your business and across your supply chain. For example, you could transition to biodegradable packaging, digitise paper-based operations, reduce your water use or recycle office equipment.

You could also consider reducing food waste and helping ensure that what food waste you *do* produce is disposed of sustainably. As **this discussion from COP28** shows, food waste can be a key driver of greenhouse gas emissions.

3. **Use less energy**

One of the best ways to reduce your emissions is simply to use less energy. Being more energy efficient also has the immediate benefit of reducing your energy bills, which is particularly welcome for small businesses struggling with rising costs.

Good tactics for using less energy include using LED lighting, using more energy-efficient equipment and improving your business premise's insulation **(2)**. As **outlined at COP28,** the transition to renewable energy will present more affordable and accessible options for small businesses.

4. **Consider carbon offsetting**

Carbon offsetting is where you put money towards schemes that reduce the amount of carbon in the atmosphere, such as **growing trees, conserving biodiversity, and investing in renewable energy**. In doing so, you 'offset' the amount of greenhouse gas your company emits. Most experts agree that carbon offsetting should never

be a green light for environmentally damaging actions elsewhere in your business. But it could help reduce your net carbon footprint as part of your broader approach to sustainability **(3)**.

You can read more about the pros and cons of carbon offsetting that were discussed at COP28 **here.**

Remember, the more actions you take, the more sustainable, attractive and successful your business could become.

A greener company is better for business

The benefits of measuring and reducing your carbon footprint are not only environmental. Here, we look at some of the leading commercial advantages of becoming a greener business.

- **Access to new markets**

People are increasingly looking to their purchase decisions to play their part in tackling the climate crisis. As a small business, by reducing your carbon footprint and communicating your actions clearly and transparently, you could access new customer segments and **expand your market reach.**

- **Brand reputation**

A positive brand reputation isn't just helpful for building trust and loyalty among your customers; it can also help attract investment. As the climate crisis grows more urgent, more and more customers are likely to buy from a brand **committed to sustainability.** And publicising your environmental commitments can help in **attracting socially responsible investors.**

- **Access to funding**

And it's not just investors. A growing amount of affordable loan funding is available for projects that help businesses become more sustainable. As more regulations on emissions come into play for small businesses, green loans could help cover the cost of transitioning in areas such as renewable energy, green buildings and pollution control **(4)**.

- **Competitive advantage**

More and more green-led small businesses are entering the market. By taking action early on initiatives such as **carbon offsetting** you could help to keep your business competitive. One **recent research study** showed that 30% of UK consumers will act – by switching brands or speaking out positively or negatively – in response to a company's sustainability practices.

- **Long-term viability**

Businesses that do not pay attention to their climate impact might struggle to succeed in a progressively more sustainable market

landscape. From customer loyalty to competitor advantage, cost savings to investments and brand reputation, being green is **increasingly central to long-term business success.**

Planning and delivering on your environmental commitments is what your customers are increasingly expecting and what regulations will soon demand. If you haven't already, it might be a good idea to consider what the path to net zero means for your business.

Decisions made at international climate conferences might seem a world away from the day-to-day concerns of your small business. But all roads out of COP28 pointed towards achieving net zero by 2050 – and to achieve this goal will require actions by individuals, governments, organisations and businesses of all sizes.

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