

CBI



Financing green: a guide for SMEs

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In partnership with



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Foreword

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Every business has a role to play in tackling the impact of climate change by reducing carbon emissions. It is the right thing to do but also makes good business sense. UK Finance and its members are committed to supporting businesses through the provision of advice and support as well as providing access to finance where appropriate. This guide should help you get started on planning what you need to do to reduce carbon emissions, whether you should consider using external finance and how to identify the right finance solution for your business.



Jennifer Tankard
Principal, UK Finance





Foreword CBI

All businesses – including SMEs - can play a pivotal role on the journey to a net zero economy by 2050. Getting behind net zero targets is not only the right thing to do – the lives and livelihoods of future generations depend on the steps we take now to protect our planet. The transition to a sustainable economy also offers multiple prizes to businesses that recognise the need for change early in the process. The CBI actively works with SMEs to support them in seizing 'green' growth opportunities as well as making progress on their sustainability journey. This guide provides actionable advice on how SMEs can secure the right finance to achieve these ambitions.

A handwritten signature in black ink, appearing to read 'Flora Hamilton'.

Flora Hamilton

Director, Confederation of British Industry



Navigating climate change

This guide will help you to understand:

- Why tackling climate change is important
- The opportunities for your business
- How to get started
- Finding finance to invest in business change and innovation
- How to locate resources
- How to find out more about UK Finance and the CBI

Why tackling climate change is important

The UK government has committed the UK, through the Climate Change Act, to achieve 'net zero' carbon emissions by 2050. Net zero means that the UK is putting no more carbon into the atmosphere than it is taking out of it. We need to do this to limit global warming to 1.5C to avoid the worst impacts of climate change. Nearly all businesses produce carbon emissions, although this varies by size and sector. The most common sources of business carbon emissions are:

- Energy use (electricity/gas use)
- Waste disposal/recycling
- Business travel
- Owned or controlled vehicles
- Staff commuting

The opportunities for your business

As well as tackling the impact of climate change, reducing your carbon emissions will benefit your business in the following ways:

- Save money – by identifying high energy business activities where you can reduce use.
- Generate new business – if you reduce your costs you can become more competitive and bring in new customers.
- Improve brand reputation – increasingly consumers want to understand the carbon footprint of goods and services.
- Meet the information needs of your customers – meeting customer requests for information on your greenhouse gas emissions is an increasingly important element of the procurement process.
- Do your bit to save the planet – understand the contribution your business is making to climate change and reduce it.

There are many steps you can take to reduce your carbon emissions. Lots of these will have a minimum cost or save you money. But some changes may require investment to upgrade skills, machinery or processes. Opportunities to innovate might also require investment.



How to get started

Below are some steps to get you started in reducing your carbon emissions and finding the right finance solution for any investment need.

1. Get measuring. Use a carbon calculator to work out the biggest sources of emissions. You can find these from a number of sources:

The Carbon Trust has one specifically designed for small and medium businesses.

There are sector specific carbon calculators. The **Sustainable Hospitality Alliance** has a calculator for hotels.

If you supply to a larger company, they may ask you to use a recommended calculator.

You may also need to understand the carbon emissions of your supply chain. You should work with suppliers to ensure consistency of measuring carbon emissions.

2. Consider what actions competitors are taking. There are many good practice case studies available. The **CBI's Goal 13 Impact Platform** and the UK government's **Business Climate Hub** share good practice.
3. Engage the whole team. Your employees may have good suggestions about reducing waste.
4. Develop a plan that takes into account the information you now have on the main sources of carbon emissions, for your business and your supply chain. Consider where you will save money, where you may become more competitive and increase business activity and whether, and at what stage, you may need investment.
5. You don't need to change everything at once. A step-by-step approach may feel more manageable.

For more information, visit the CBI's **practical guide** on how firms can get started on their road to net zero.

Finding finance for business change and innovation

1. Save to invest

Having calculated your business carbon emissions and developed a plan, you may have identified savings in outgoings. You could use these to re-invest in changes to business activities over the longer term.

2. Look for grants and other incentives

Grants, vouchers and other incentives are available, although many of these are sector, activity or place based specific. The government's [Business Finance Support](#) hub provides a list of many of these.

Tax incentives, such as the [Super Deduction Capital Allowance](#), can be used on qualifying plant and machinery investments.

3. Using external finance

If you are looking for external finance support, lots of help and advice is available.

The British Business Bank has a [Business Finance Hub](#) with advice and guidance. Other sources of advice and finance finders are listed at the end of this brief.

Speak to your business bank or lender or visit their website. Many have developed extensive tools to support businesses to achieve net zero and have specific green products. There are also a number of platforms that help businesses to identify finance, for example the [Better Business Finance](#) site. Find links to other government designated platforms [here](#).

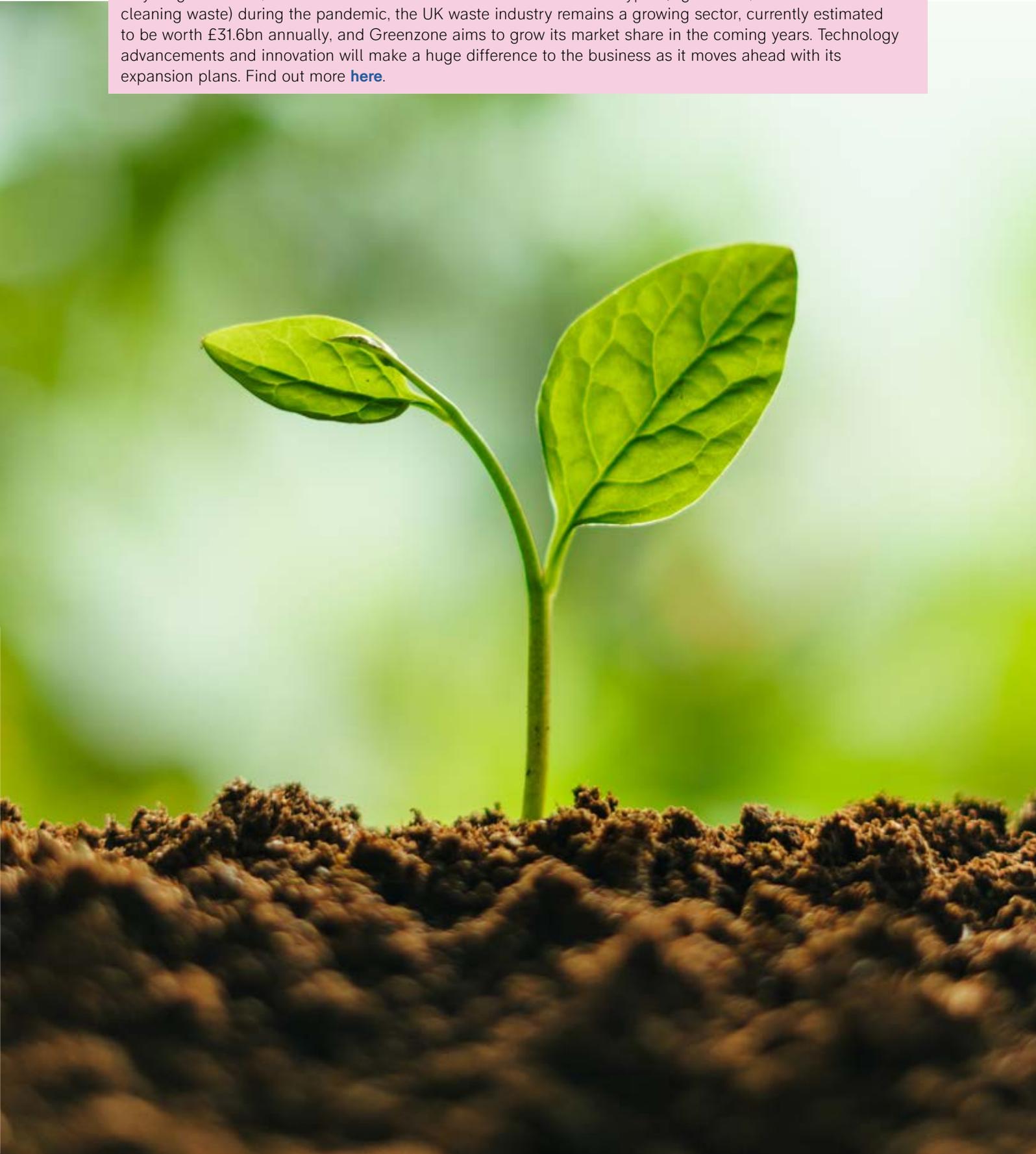
Finding the right finance solution for your business is more important than finding a green finance product. There could be standard finance products such as loans, invoice finance and asset-based lending that are a better fit for your business. Government guaranteed loan schemes, such as the [Recovery Loan Scheme](#) may also be suitable.



Greenzone completes shareholder buy out with support from Virgin Money to launch its growth plan

In April 2021, an independent waste management business, Greenzone Facilities Management Ltd, successfully completed a shareholder buy out with support from Virgin Money to launch its growth plan.

Greenzone specialises in waste brokerage, providing waste/resource management solutions, including recycling and reuse, across the UK. With an increase in certain waste types (e.g. clinical, healthcare and cleaning waste) during the pandemic, the UK waste industry remains a growing sector, currently estimated to be worth £31.6bn annually, and Greenzone aims to grow its market share in the coming years. Technology advancements and innovation will make a huge difference to the business as it moves ahead with its expansion plans. Find out more [here](#).





Grampian Growers receives a funding package from Royal Bank of Scotland and unveils new green HQ

In September 2021, farming co-operative Grampian Growers revealed new green, low carbon headquarters thanks to a £750,000 funding package from COP26 principal partner Royal Bank of Scotland.

Grampian Growers is a horticulture business and a leading producer and exporter of market crops including daffodil flowers, bulbs and potatoes. The new eco-friendly office building replaces the existing facility which has been in use since 1978. Additionally, solar panels were installed at the Grampian Growers HQ in 2013 with the support of the Royal Bank of Scotland's sister bank, Lombard. These solar panels generate electricity worth up to £25,000 for the site year-round, with an air source heat pump providing heating to the building. Grampian Growers has been working with the Royal Bank of Scotland for multiple years and, besides receiving funding for their HQ, they've been also supported in growing their business with several new acquisition deals.

SaveMoneyCutCarbon secures equity investment with Barclays to scale up their sustainable business

SaveMoneyCutCarbon provides solutions to businesses and consumers for cutting energy and water bills, resulting in a reduced carbon footprint. In 2020, they secured a significant equity investment from Barclays to develop further saving tools and to scale up their business.

The funding from Barclays' Sustainable Impact Capital Programme has enabled SaveMoneyCutCarbon to build the technology needed to take their business model out to a wider market at a quicker pace. The company is now uniquely positioned to tackle the retrofit challenge faced by the UK's domestic and commercial building stock and improve the energy and water efficiency needed to achieve net zero carbon targets. Barclays' investment in SaveMoneyCutCarbon brought more than just money - they also have an extensive customer base, bringing with it the potential of a future collaboration. Find out more [here](#).



Before applying for external finance consider the following:



Understand your current financial position

Ensure you fully understand your key financial information, including current cash position, lending facilities, debtors and creditors. Assess your current stock holdings and be aware of when any current commitments are due for payment.



Consider the full range of finance options

Familiarise yourself with the full range of financial options available and engage with lenders as early as possible. Speak to experienced financial advisers such as accountants and commercial finance brokers.



Shop around for the most suitable finance solution

If your primary lender cannot provide the finance you have requested there are many alternative options. Another lender may be able to support your business. [Better Business Finance](#) has a finance finder that is free to use and helps businesses of all stages and sizes.

Useful resources for your business

You can find more sources of advice through the links below.

Your trade association is an important source of advice, good practice case studies and peer to peer learning. Have a look at dedicated guidance pages on the web, webinars and events.

Speak to your accountant or other financial adviser. They will help you to identify savings and build them into your net zero plan, which you can use when applying for finance.

Resource Link	how can this resource help you?
CBI and decarbonisation: supporting SMEs on their journey to net zero	Provides practical guidance on tracking and reducing carbon footprints. Encourages SMEs to pledge to achieving net zero and learn from other businesses to help reduce UK emissions.
Better Business Finance	Provides impartial information and support to businesses and entrepreneurs looking to develop and grow; whether the business is seeking finance, starting out or exporting abroad.
SME Climate Hub	Alongside pledging their commitment to net zero goals, SMEs can gain access to helpful tools and resources to gain a competitive advantage, manage business risk, improve brand appeal, and reduce operating costs through efficient use of resources.
BEIS – Finance and support for your business	A list of government schemes and resources available to businesses to offer guidance on finance. Businesses are able to filter criteria to view schemes applicable by business stage, sector, number of employees, type of finance and region.
British Business Bank	The BBB is a government-owned business development bank focused on ensuring financial markets work effectively for SMEs across the UK. The BBB offers SMEs guidance and support based on financial options, region of activity or general guidance communicated by industry experts.
ICAEW - The business finance guide	A guide developed to take businesses from start up to sustainable growth. The guide presents to businesses the importance of a clear plan before assessing the most appropriate form of funding. It outlines the suitability of equity and debt options and encourages businesses to continue seeking independent financial advice throughout their journey, listing additional support networks.
Invest in Women Hub	Recognising that funding is a significant barrier deterring women from starting or growing a business, this resource is designed to offer the necessary guidance and support to allow women to establish their ideas knowing the cash flows of the business are robust. Resources are easily defined by stage of business lifecycle and the Ultimate Rolodex tool allows women to find viable investment options seamlessly.



About the CBI

Founded by Royal Charter in 1965, the CBI is a non-profit business organisation that speaks on behalf of 190,000 UK businesses of all sizes and from across all sectors, employing nearly 7 million people between them. The CBI's mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all.

About UK Finance

UK Finance is the collective voice for the banking and finance industry.

Representing around 300 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

We work for and on behalf of our members to promote a safe, transparent and innovative banking and finance industry. We offer research, policy expertise, thought leadership and advocacy in support of our work. We provide a single voice for a diverse and competitive industry. Our operational activity enhances members' own services in situations where collective industry action adds value.

With thanks to UK Finance, our partner, who contributed their expertise and content for this guide.

Produced by **Flora Hamilton** in the **Tax and Regulation** team. To share your views on this topic or ask us a question, contact:



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