

# THE LITTLE BOOK OF

# Net Zero

for small businesses



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## INTRODUCTION

You probably didn't think that much about climate change when you started your business. But climate change affects us all, and we can all play a part in combatting it.

Climate change has been triggered by increasing levels of greenhouse gases (GHGs) within the atmosphere, resulting in harmful global warming. To address this problem, the UK has set a target for all businesses to achieve 'net zero' GHG emissions by 2050.

The goal of net zero will not be achieved easily and is very unlikely to be reached unless deliberate measures are taken by many sections of society. Small and medium-sized businesses (SMEs) have a crucial role to play. That's because smaller firms

are the engine of the UK economy, making up over 99% of all the UK's 5.9 million firms – and they are responsible for half of business-related GHG emissions.

Like many SMEs, you may already be facing challenges, from coping with regulations and competitive pressures to COVID-19 and Brexit. Now you face the additional task of reaching your 2050 net zero goal. The purpose of this Little Book of Net Zero is to make it easier, by providing a straightforward 'how to' guide to get you started.

# SO, WHAT EXACTLY IS NET ZERO?

Here's how the United Nations (UN) defines net zero:

“Put simply, net zero means we are not adding new emissions to the atmosphere. Emissions will continue, but will be balanced by absorbing an equivalent amount from the atmosphere.”

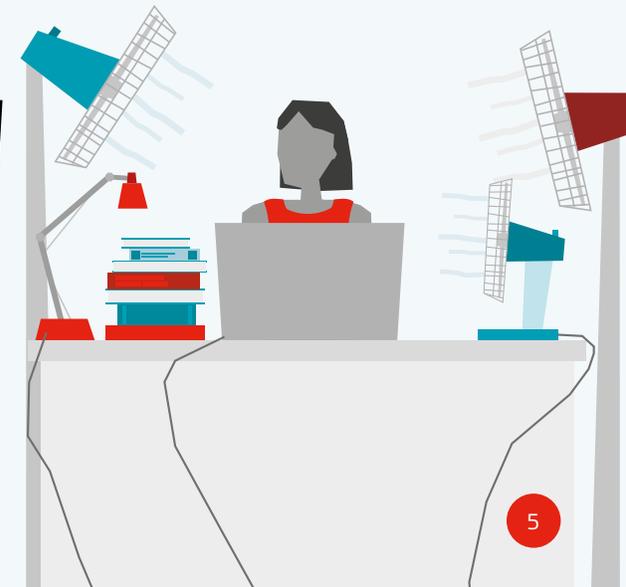


# WHY DOES IT MATTER?

Net zero is important because of climate change. And climate change matters to us all. Evidence shows that the world has been getting hotter. According to the World Meteorological Organisation, the warmest 20 years on record have all been in the last 22 years, with the most recent among the warmest.

Today, average global temperatures are 1° higher than in pre-industrial times. Most experts agree that, while 1° may sound like a small increase, it is causing significant adverse effects, including erratic weather patterns, loss of polar ice and rising sea levels. They also believe that the situation is set to deteriorate further. If no action is taken, the world's temperature could increase by up to 5° by 2100.

Scientists and governments are overwhelmingly convinced that climate change is being triggered by higher levels of GHGs in the atmosphere, which cause a greenhouse effect by trapping energy from the sun and warming the Earth's surface and the air above it.



# CUTTING CARBON

The most common GHG is carbon dioxide, which is why measures to cut carbon emissions, reduce carbon footprints and use low-carbon alternatives will help minimize the rate and impact of climate change. This can be done in three ways: by reducing harmful emissions from human activities, such as industrial processes, power generation and transport; by capturing carbon before it is released into the atmosphere and storing it safely; and by removing it from the atmosphere, for example by planting more trees, which naturally absorb carbon dioxide.

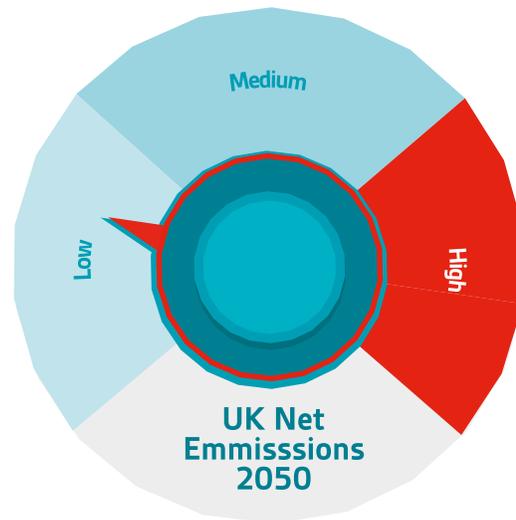


## WHAT ARE THE UK'S GOALS?

From countries and companies to consumers and citizens, tackling climate change is increasingly seen as a defining priority for the 2020s. In June 2019, Parliament passed legislation that committed the UK to reducing its net emissions by 100 per cent by 2050. This made the UK the first major economy to pass laws to ensure that it ends its contribution to global warming, representing a milestone in the journey towards global sustainability.

In 2020, BSI collaborated with the Institute of Environmental Management and Assessment (IEMA) to check the progress of UK businesses on the road to net zero. Through our Net Zero Barometer, based on a survey of 1,000 senior decision-makers across a range of UK industries, we found that if businesses continue at their current rate of progress, it is highly likely they will fall short of achieving the Government's 2050 net zero target.

This leaves the business community grappling with the challenge.



## HOW TO PLAY YOUR PART

Among UK businesses, progress towards net zero has varied dramatically, with some investing heavily and implementing major changes, while others have made only small incremental improvements or taken no action at all.

Lack of urgency towards net zero has been compounded by the disruption and additional business pressures wrought by COVID-19. Not surprisingly, perhaps, our Net Zero Barometer found the plans of 68 per cent of businesses have been set back by the pandemic. For some, Brexit has also slowed progress.

Our research found a genuine desire among businesses to achieve net zero targets, with seven out of ten leaders confirming that their organizations have made, or are considering making, a commitment to net zero.

But the picture is not as positive among the UK's small businesses, where so far just one in five have committed to a net zero target. The sheer volume of such businesses means that this severely undermines overall progress.

This is where you can play your part. The first decisive step is to make a firm pledge to achieving net zero in your business.

*"We take our environmental responsibilities very seriously and actively encourage initiatives that help reduce our environmental impact. Measures have included greatly increased recycling and improved energy efficiency."*

Nottingham-based manufacturer that has applied ISO 14001 for environmental management



# BREAKING DOWN BARRIERS

The huge variation in size and structure of businesses across the UK means there are numerous ways to tackle the goal of net zero. The key must be to work together and to use all the tools available to overcome barriers.

The practical implementation of net zero strategies will vary based on the challenges specific to your own industry, but the findings from our Net Zero Barometer suggest some important steps to consider:

## Consider benefits as much as costs

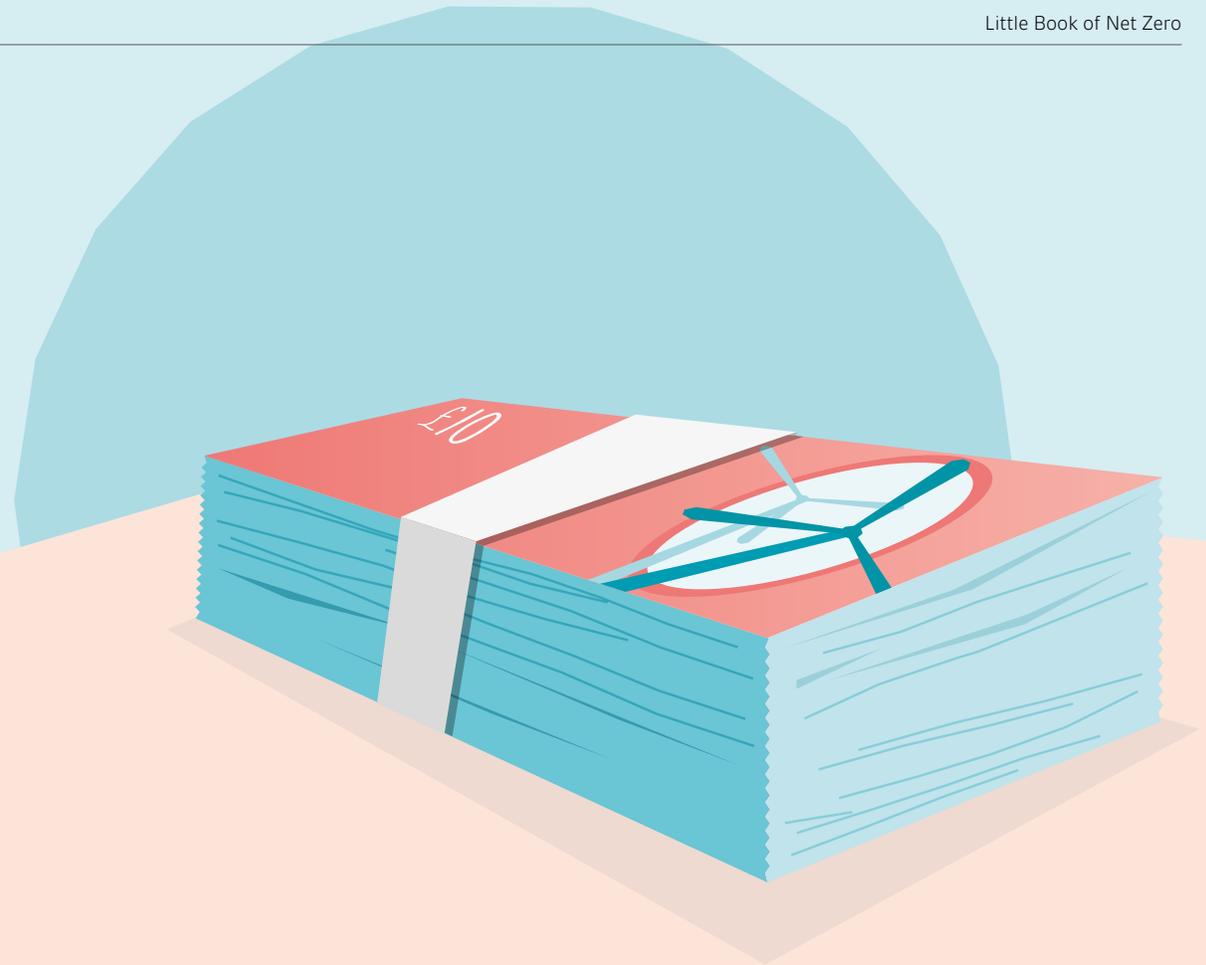
Cost is cited as the biggest barrier to achieving net zero by 44 per cent of all businesses. This barrier looms largest among small businesses (51 per cent).

Don't fall at the first hurdle of perceiving change as only meaning additional costs. Certainly, net zero is a highly ambitious goal, and meeting it needs strategic planning and resourcing. But many of the measures suggested below can bring significant cost-efficiencies, while others represent worthwhile investment in less tangible benefits, such as strengthening your 'green' credentials, improving your competitive edge and increasing your employees' motivation. It is important to take a holistic view.

## Seek guidance

Confidence in being capable of achieving net zero is also lower among small businesses than large organizations. Even so, the vast majority of businesses (83 per cent) require more guidance if they are to achieve the target, and this need for guidance is common across all sectors.

While knowledge of the concept of net zero is growing among business leaders, the main barriers for SMEs are likely to include a poor understanding of its implications for individual companies. In fact, almost two-thirds of business leaders are not confident they fully grasp the implications for their firm. Perhaps you are among them?



If so, you can access advice from a range of sources, including the Government, consultants and specialist associations. Government is the most common source of information for many leaders, but businesses with fewer than 50 people cite local government as their most likely source of future guidance. In addition, if you have access to local enterprise partnerships and chambers of commerce, they could also be helpful.



### Make a plan

Inevitably, this gap in understanding can cause SMEs to be slower to apply the necessary strategic thinking and planning and, ultimately, achieve progress towards net zero.

While there may well be a case for you to 'pick the low hanging fruit' – that is, implement any easily achievable measures that will give you rapid benefits – it is also important to look for substantial longer-term gains. Try to find an approach that suits your business model, and then continue to review and evolve this approach to reflect your changing circumstances and needs.

*"Our company is installing solar panels throughout. We already keep energy consumption levels low. We are shifting to recycled materials and minimizing use of paper. We still need to work on car emissions to and from the workplace."*

UK business surveyed in BSI's Net Zero Barometer

## CASE STUDY

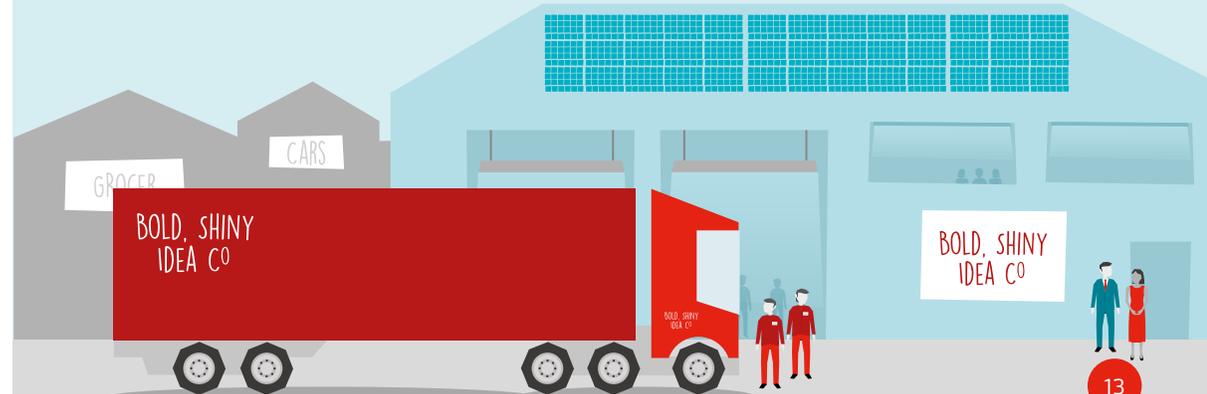
The compliance manager of a medium-sized manufacturer based in Stoke is in no doubt that applying the energy management standard ISO 50001 has cut energy costs. For example, solar panel installation at the company's premises has seen an eight-year payback period, while in some areas of the site LED lighting has seen a payback period of less than one year.

He comments, "As a company, we are committed, and this is linked to return on investment. ISO 50001 gives the structure and justification for spending money, and then it calculates the actual savings made."

The standard has also helped to win new business: "Many customer visits take place throughout the year and we can showcase our improvements, such as the solar panels

and LED lighting. At the early stages of a tender or request for quotation, we are evaluated, and ISO 50001 has been mentioned specifically."

He adds, "An increasingly important contributing factor to being awarded business is sustainability, and ISO 50001 demonstrates an important part of our approach to sustainability."



### Collaborate

Net zero is a challenge faced by all of society and will require a collective effort to overcome it. By widening your vision to look outside your business – you may be able to learn from companies that have succeeded in making considered, impactful changes. And just by taking part in an open conversation on net zero, you will be contributing to knowledge-sharing and feeding a wider appetite for change.

### Take a rounded approach

Reducing energy use is clearly the most frequent measure put in place by firms to achieve net zero, with 48 per cent of businesses citing it as a key measure. But don't only focus on energy reduction, because there are also other factors that can make a significant impact.

While many businesses have committed to achieving net zero targets across a range of timescales, it is important to understand the true extent of the change required to achieve net zero. A rounded approach, with management and measurement systems in place, is most likely to bring you the greatest success.

Our research shows that reducing energy consumption, followed by waste reduction, are the two most common measures that businesses have taken as part of their net zero strategy. By reducing energy consumed in areas such as facilities, and by managing waste – for example, by designing products to eliminate the unnecessary use of materials that are energy-intensive in their production – many businesses will see sizeable reductions in the carbon they produce.

Our Net Zero Barometer also shows that carbon reduction is an explicit priority for small businesses with between 11 and 50 employees. This could be because smaller firms with relatively modest costs for energy and waste are keen to demonstrate carbon reduction to attract investment and customers. To do so, they may take measures that cut carbon without necessarily reducing energy consumption or waste, such as scaling back on business travel and switching to electric vehicles.

### Be willing to innovate

For many companies committing to net zero, carbon offsetting is one of the first major milestones. Carbon offsetting is the process of compensating for emissions by investing in schemes that aim to make equivalent reductions of carbon dioxide from the atmosphere, such as reforestation programmes and investment in renewable energy.

But carbon offsetting does not result in a reduction in emissions. For this, decisive change and often more innovative action, is required.

By looking beyond carbon offsets, you may be able to identify and develop plans for carbon reduction. For example, these could include sustainability policies around employee travel, from incentive schemes to reduce travel, to subsidies for electric vehicles. By taking a more holistic approach and pioneering innovations, you have the opportunity to create real and lasting impact.



### Invest in skills

Our understanding of how to achieve net zero is constantly evolving and improving, and the skills required may change over time. Failure to invest in innovative ways of working, as well as in the skills that such new methods require, risks slowing progress and potentially missing the 2050 target. It is increasingly important for SMEs – and may well be necessary for your business – to invest in people to ensure they have the necessary skills to innovate.

### Adopt effective tools

By following good practice established by recognized standards bodies, you can give full consideration to the challenges and ensure you make meaningful progress towards net zero.

Standards are about applying tried and tested good practice within a business to establish and maintain robust, reliable management processes. They can provide small businesses with the tools that they need to achieve their goals in the most efficient, safe and effective way possible.

"I think of standards as processes that give our company rigour. If we have that, we can springboard forward to the next level of our development, and we know that each new standard we apply is adding to that corporate rigour and ultimately enabling us to make a real impact on society."

London-based SME that has applied several business standards

According to BSI's Net Zero Barometer, of the 97 per cent of businesses that have put measures towards net zero in place, an encouraging 93 per cent are using international standards or guidelines for carbon reduction.

SMEs are among those that commonly use such standards (37 per cent), but this clearly leaves room for many more to implement them. Have you considered standards for your business?

NUMEROUS INTERNATIONAL STANDARDS FORM  
A TOOLKIT THAT CAN HELP YOUR BUSINESS  
ON ITS JOURNEY TOWARDS NET ZERO.



### Standards that can help

Numerous international standards form a toolkit that can help your business on its journey towards net zero. They include:

- ISO 14001 for environmental management
- ISO 14064-1 and ISO 14064-2 for measurement and reporting of GHG emissions and removals
- ISO 14064-3 for verification of GHG statements
- ISO 14021 and PAS 2060 for carbon neutrality
- PAS 2050 for carbon footprinting of product and services
- ISO 50001 for energy management

While your business could benefit simply by adopting standards, formal certification brings significant competitive advantages by demonstrating the quality,

effectiveness and reliability of procedures to customers and other stakeholders. For example, among businesses certified to the environmental management standard ISO 14001, 74 per cent report reputational benefits, 63 per cent attribute direct cost savings to it, and 61 per cent see increased staff morale. In addition, large organizations increasingly require certification to standards by their suppliers, which are often smaller businesses.

By harnessing business standards, you can strengthen your firm's resilience and embed excellent habits to deliver business improvement, while also providing a robust framework for growth.

# CASE STUDY

The founder and managing director of a Yorkshire-based small business says, "ISO 14001 shows our customers and staff that we care about the environment, and that we operate an effective environmental management system. It addresses the delicate balance between reducing our overall environmental impact and maintaining profitability."

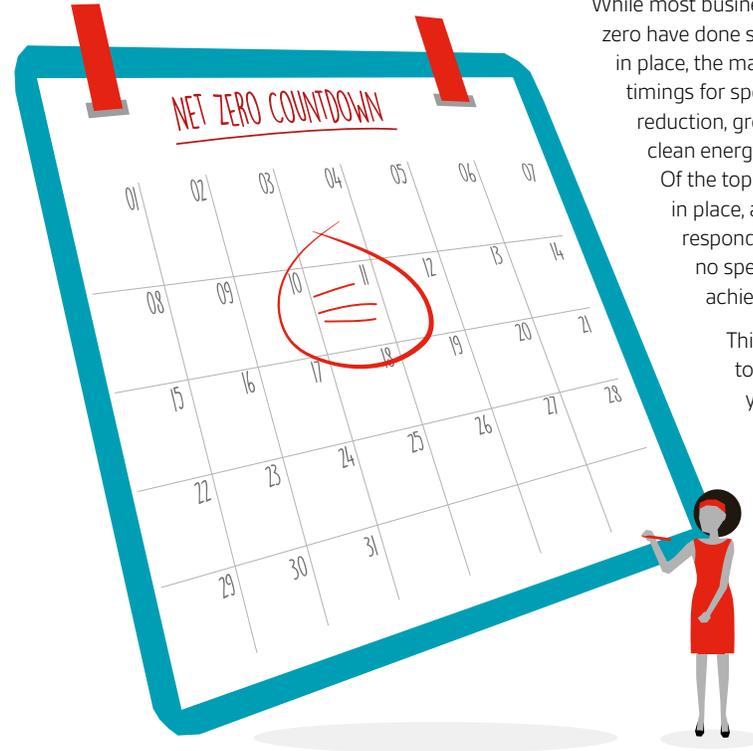
He continues, "ISO 14001 shows that we comply with legal requirements and that any potential environmental impact is assessed, measured, monitored and improved. Its benefits include savings in the consumption of both energy and materials, and reduced cost of waste management, which helps us remain commercially successful as well as environmentally responsible."



# ACT NOW!

While most businesses that have committed to net zero have done so with an overall target deadline in place, the majority have not committed to timings for specific measures such as energy reduction, greater use of recycled materials, clean energy or reduced transport emissions. Of the top six measures that are currently in place, an average of 72 per cent of respondents admitted that there is no specific completion date for achieving success.

This book is a straightforward 'how to' guide to make it easier to get you started ...and pledge your organization to a realistic net zero target. And now is the time to take that first step.



## A QUICK RECAP...

- Climate change has been triggered by increasing levels of greenhouse gases (GHGs) within the atmosphere, resulting in harmful global warming
- To help address the climate change challenge, the UK has set a target for all businesses to achieve net zero GHG emissions by 2050



- Net zero means we are not adding new emissions to the atmosphere. Emissions will continue, but will be balanced by absorbing an equivalent amount from the atmosphere
- Smaller firms can play a crucial role. SMEs make up over 99% of all the UK's 5.9 million firms, and they are responsible for half of business-related GHG emissions
- But only one in five of the UK's small businesses have committed to a net zero target, and many have made little or no progress towards the national net zero goal
- BSI research has identified some barriers hampering more action, but you can overcome them by adopting a more strategic approach, accessing trusted guidance and deploying appropriate tools
- Effective tools include recognized business standards to help you manage and reduce carbon emissions. Standards can also embed excellent habits to deliver improved performance and provide you with a robust framework for sustainable growth
- BSI can help. We can assist your business with measures to achieve net zero, and also improve its performance and resilience.

## YOUR NEXT STEPS

- 
- COMMIT YOUR BUSINESS TO NET ZERO
  - CONSIDER BENEFITS AS MUCH AS COSTS
  - SEEK GUIDANCE
  - MAKE A PLAN, AND REVIEW IT
  - COLLABORATE
  - TAKE A ROUNDED APPROACH
  - BE WILLING TO INNOVATE
  - INVEST IN SKILLS
  - ADOPT EFFECTIVE TOOLS
  - ACT NOW!

## WHY BSI?

Established in 1901, BSI is the UK's National Standards Body. We have over a century of experience and work with organizations of every size, across all industry sectors. We understand small businesses and the issues they face.

Our role is to help businesses implement good practice and improve the quality and safety of products, services and systems, and the sustainability of their operations, through voluntary, consensus-driven standards. Stakeholder-led standards managed by BSI, including British Standards, PAS and FLEX, all aligned with international and European regional standards, play a vital role in all aspects of society and are perfectly suited to helping industry achieve its net zero goals.

We believe that through the clarity of standards and shared industry best practice, you will be able to focus on carbon reduction and successfully respond to the challenge of climate change, while also benefitting your own business.

Through the use of standards, your company's progress towards net zero can become a routine measurement of success, demonstrating to your customers that yours is a socially conscious enterprise that is serious about sustainability. And this may give your business a real competitive edge.

For BSI, business sustainability is a priority. We support, and strive to align our activities with, the United Nations' SDGs, which form part of the UN's ambitious strategy to make significant global social and environmental progress. BSI's aim is to help organizations better understand the SDGs, translate them into a business context and introduce impactful measures to align with them. Standards offer a great way to achieve this and to demonstrate a responsible approach, while also increasing organizational resilience.

## FOR FURTHER INFORMATION...

on Net Zero, visit our page 

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