

MOBILISING SPAIN'S SMES IN THE FACE OF THE CLIMATE AND ENERGY CRISIS

On the Road to COP27 highlighting best practices in Spain...

**Presentation by Peter Sweatman,
CEO of Climate Strategy & Partners**





Climate Strategy & Partners

13 years of experience advising **companies, banks, and governments** across the world on accelerating the economic transition to a net-zero emissions economy.



- **Peter Sweatman, Executive Director:** 30 years of outstanding experience in finance and climate strategy with key positions at:
 - JPMorgan
 - Climate Change Capital
 - Climate Strategy
 - Energy Efficiency Capital Advisors



Project supported by:



Expert reviewers

- **Carmen Navarro** (Manager, Spanish Group for Green Growth and Coordinator of SME Climate Hub in Spain),
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- **Lara Lázaro** (Senior Researcher, Elcano Royal Institute),
- **Pablo Barrenechea** (Director of Climate Action, ECODES),
- **Óscar Pulido** (Fleet Electrification Officer, T&E Spain).

SMALL BUSINESSES ARE **CRITICAL** FOR A FAIR ECOLOGICAL TRANSITION...

IN SPAIN SMES REPRESENT

99%

of companies

65%

of the employment

62%

of GVA

>50%

of GHG emissions

THE WORLD LOOKS TO SMES
AS THE NEXT CHALLENGE



"SMEs play a significant role in enabling and shaping the nature of growth, **innovation**, and **sustainability** of our global, regional and local economies. It's therefore essential that (...) **they are future-ready.**"

Olivier M. Schwab, Director General of the World Economic Forum, 2022

... BUT THERE IS A **GAP** BOTH IN KNOWLEDGE AND ACTION



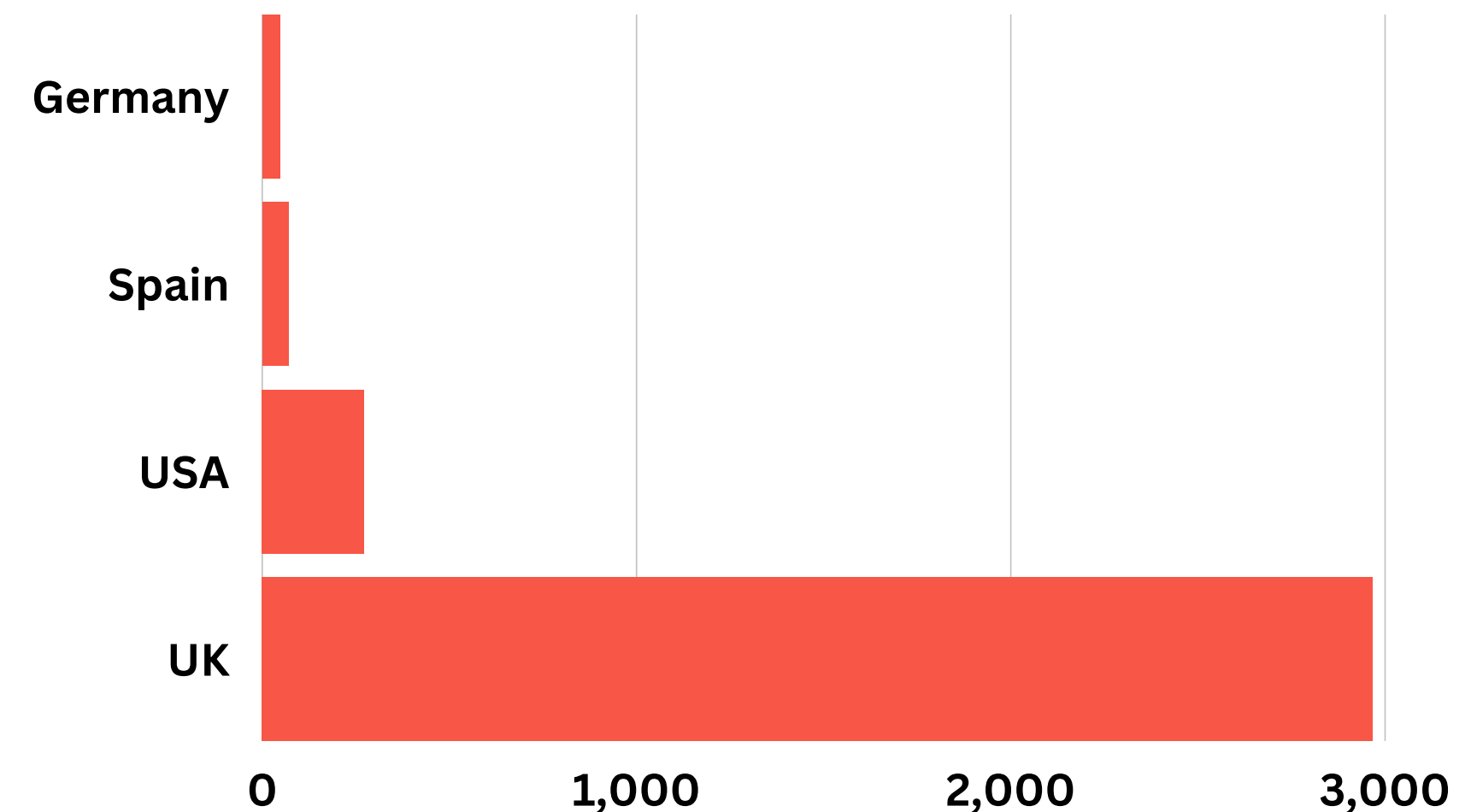
"SMEs do not receive enough attention"

JRC of the European Commission, 2021

"We need training actions and the research and development of environmental practices adapted to SMEs."

Quintás et al., 2018

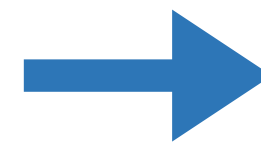
The SME Climate Hub aims to mobilise climate action, but to date **only 68 Spanish SMEs** have signed up.



OUR OBJECTIVE

Explore SME climate action and the challenges they face in the current energy crisis to develop tailored best practices to mobilise accelerated decarbonisation in the road to COP27.

OUR METHOD IN 2022



Online questionnaire with **450+** company responses, including **309 SMEs**

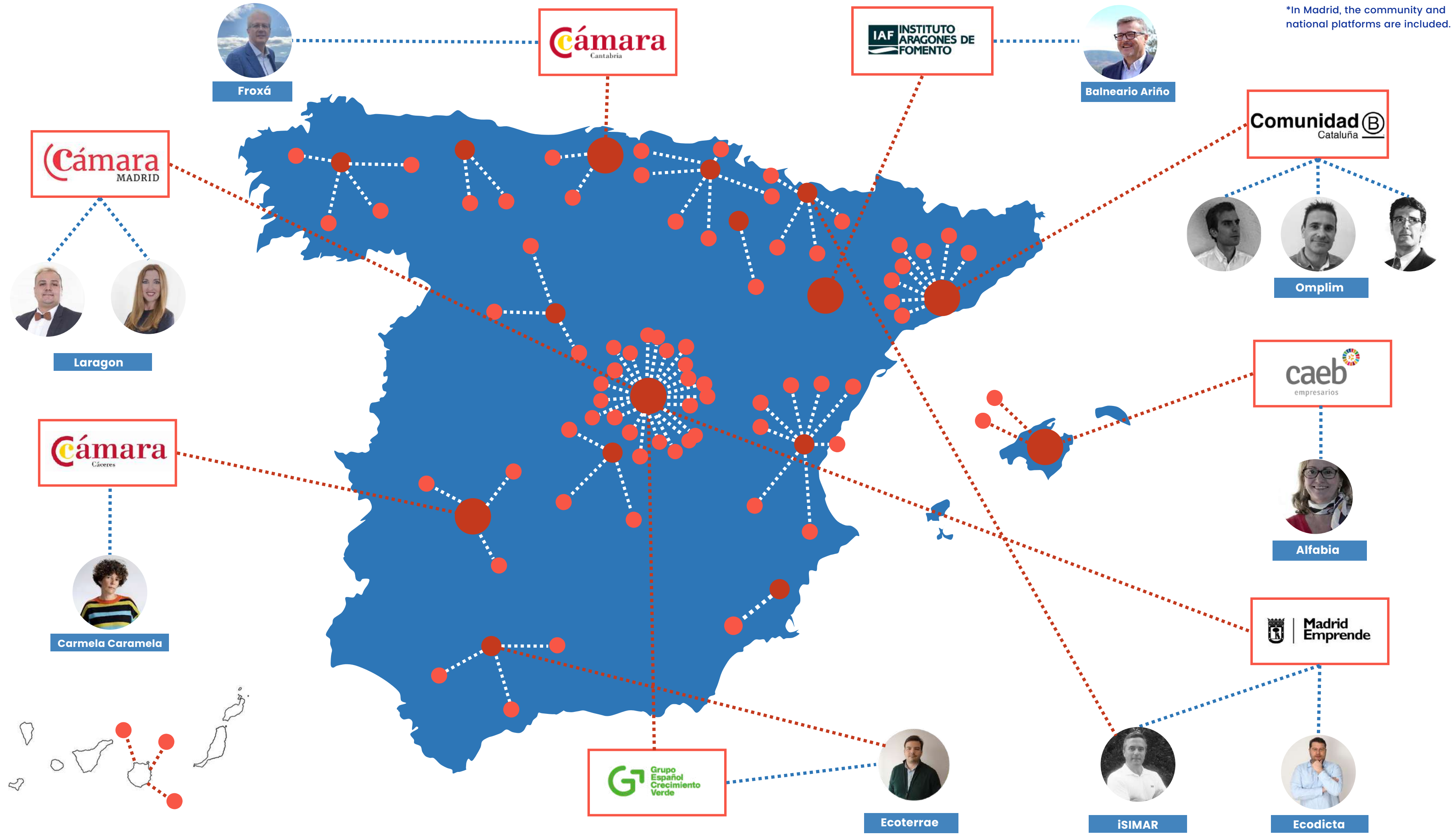
Consultation process with **90+** SME platforms and their members

Over 30 informal meetings and interviews with SMEs and their platforms

9 workshops hosted by the regional SME platforms

9 case studies of SMEs that are leading in the race to decarbonise

*In Madrid, the community and national platforms are included.



Froxá



Balneario Ariño



Omplim



Alfabia



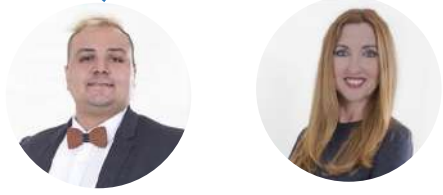
iSIMAR



Ecodicta



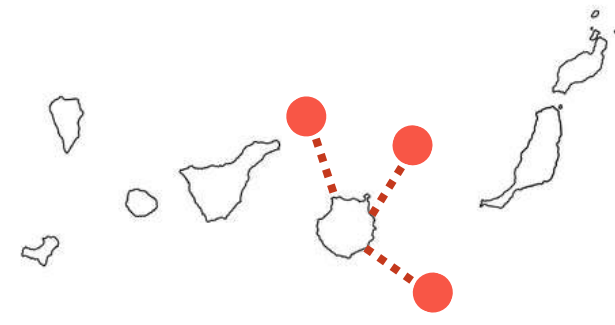
Ecoterrae



Laragon



Carmela Caramela



78% OF SMES ARE ALREADY FEELING THE IMPACTS OF THE ENERGY CRISIS

EL PAÍS

La luz fulmina su récord histórico en España: el precio mayorista se dispara hasta los 545 euros por megavatio hora

7 March, 2022

EL MUNDO

La inflación récord arrasa los pequeños negocios: 10.000 autónomos menos en tres meses

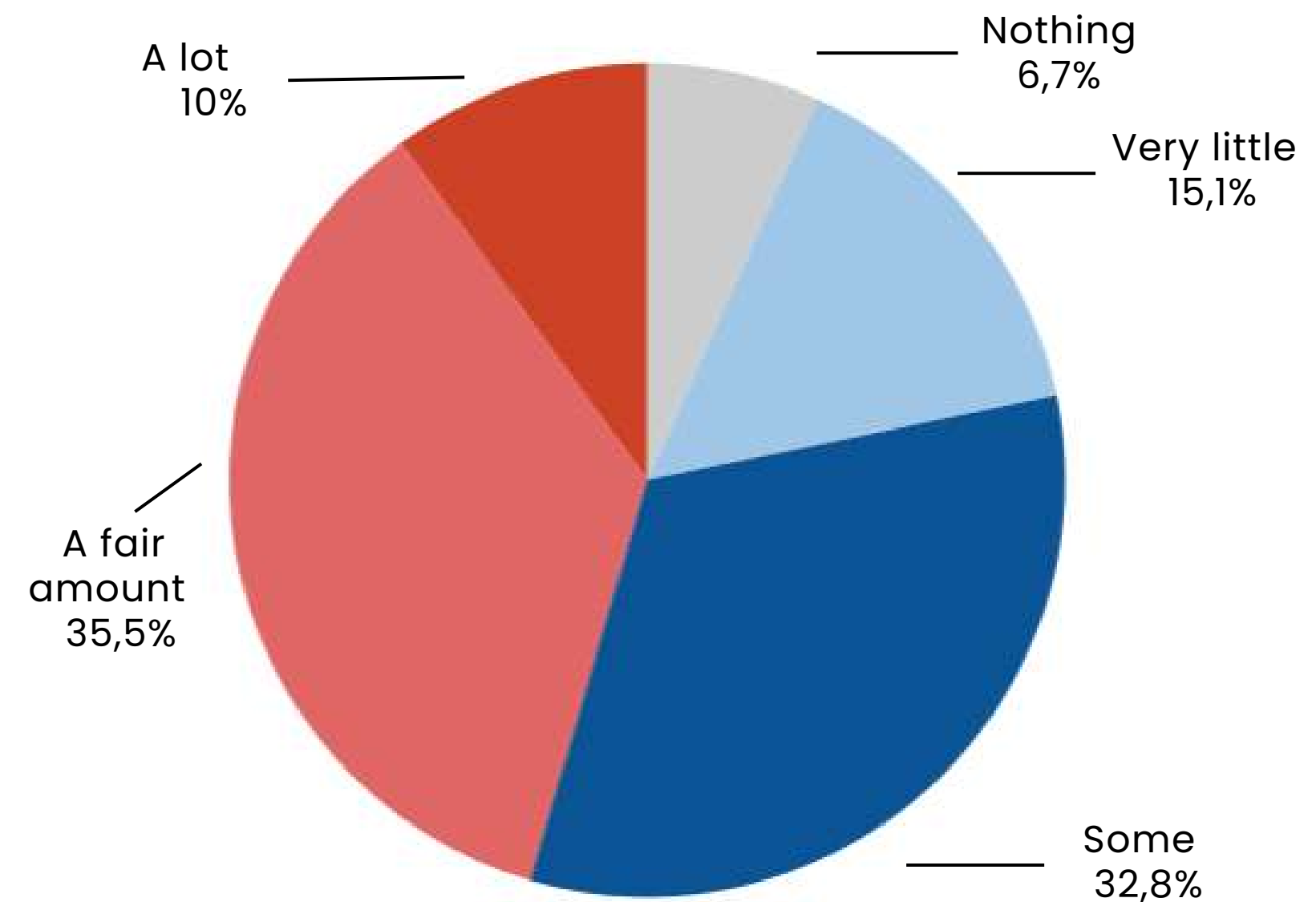
14 April, 2022

FINANCIAL TIMES

Operadores estiman que los precios europeos del gas se mantendrán elevados en los próximos años.

25 July, 2022

How much has this year's energy crisis affected your company?



Climate Strategy Questionnaire, 2022

60% OF SMES SEE CLIMATE CHANGE AS A CLEAR RISK TO THEIR BUSINESS

Summer 2022, the hottest summer in Spain in the last 50 years



España, el país con el **mayor incremento de la deuda pública** en un escenario de 1.5°C: hasta 4,5 puntos.

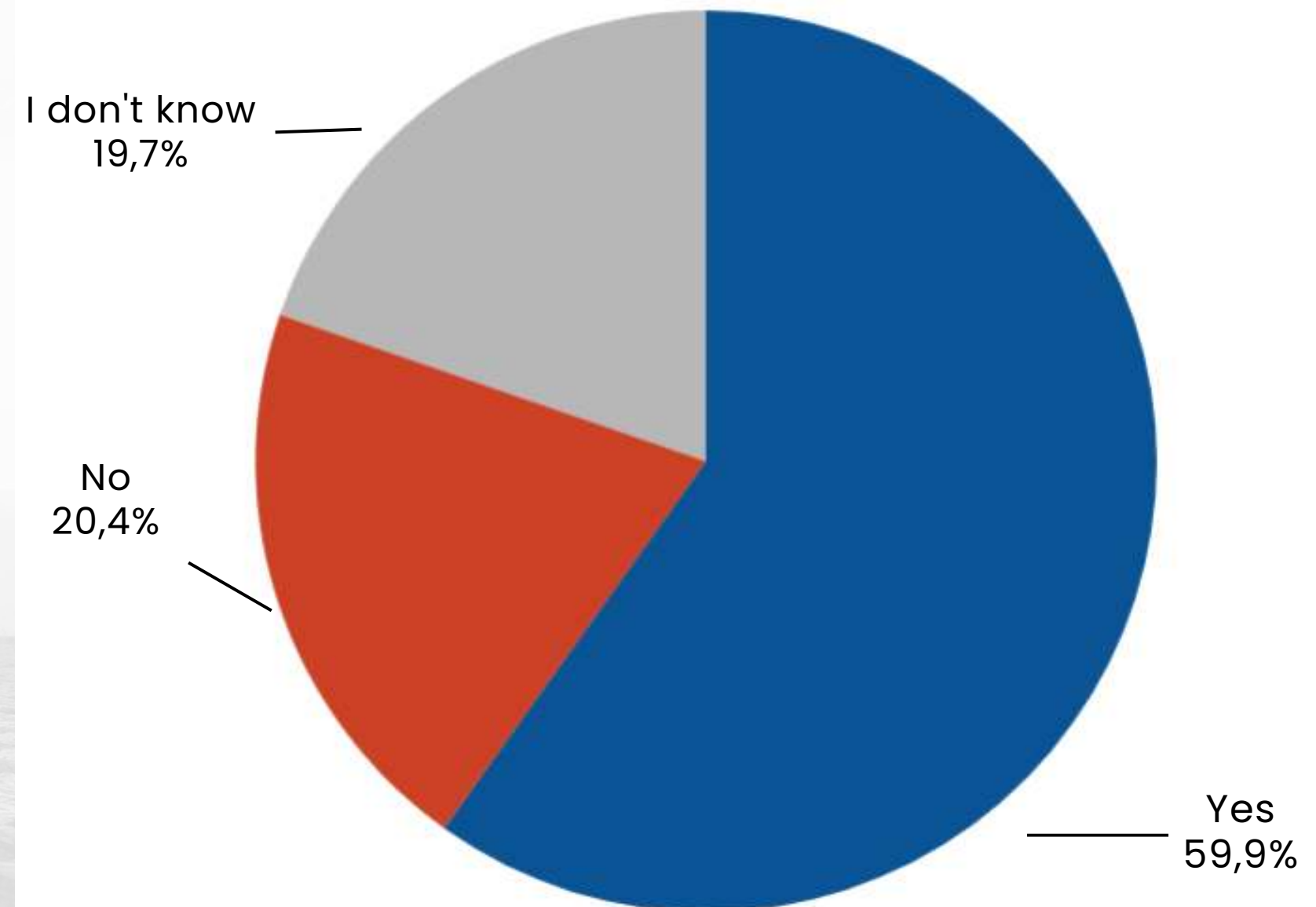
25 April, 2022

MOODY'S

Un aumento en el número e intensidad de eventos climáticos extremos pone **en riesgo el perfil crediticio de España.**

15 July, 2022

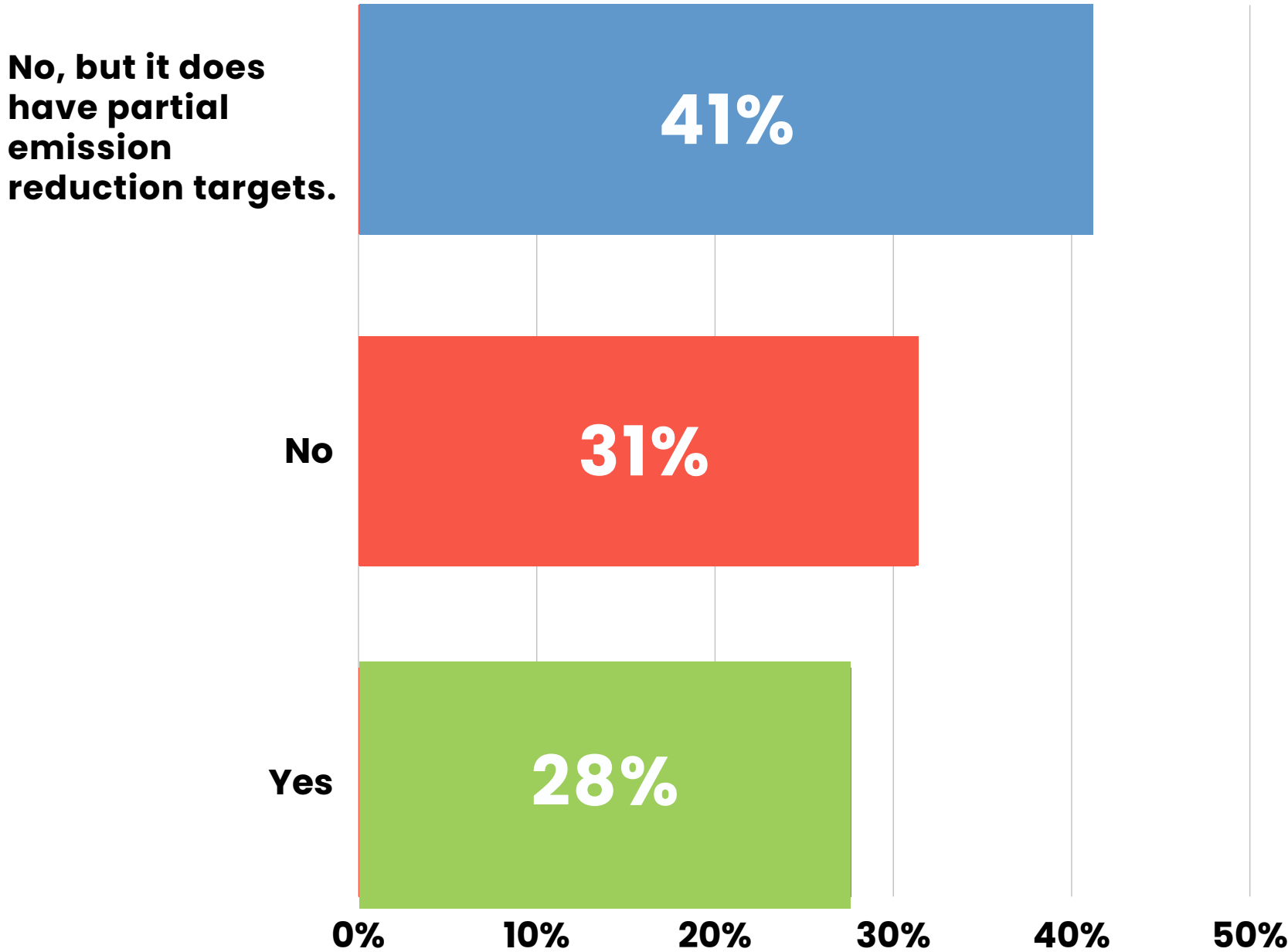
Do you think that climate change poses risks to your business?



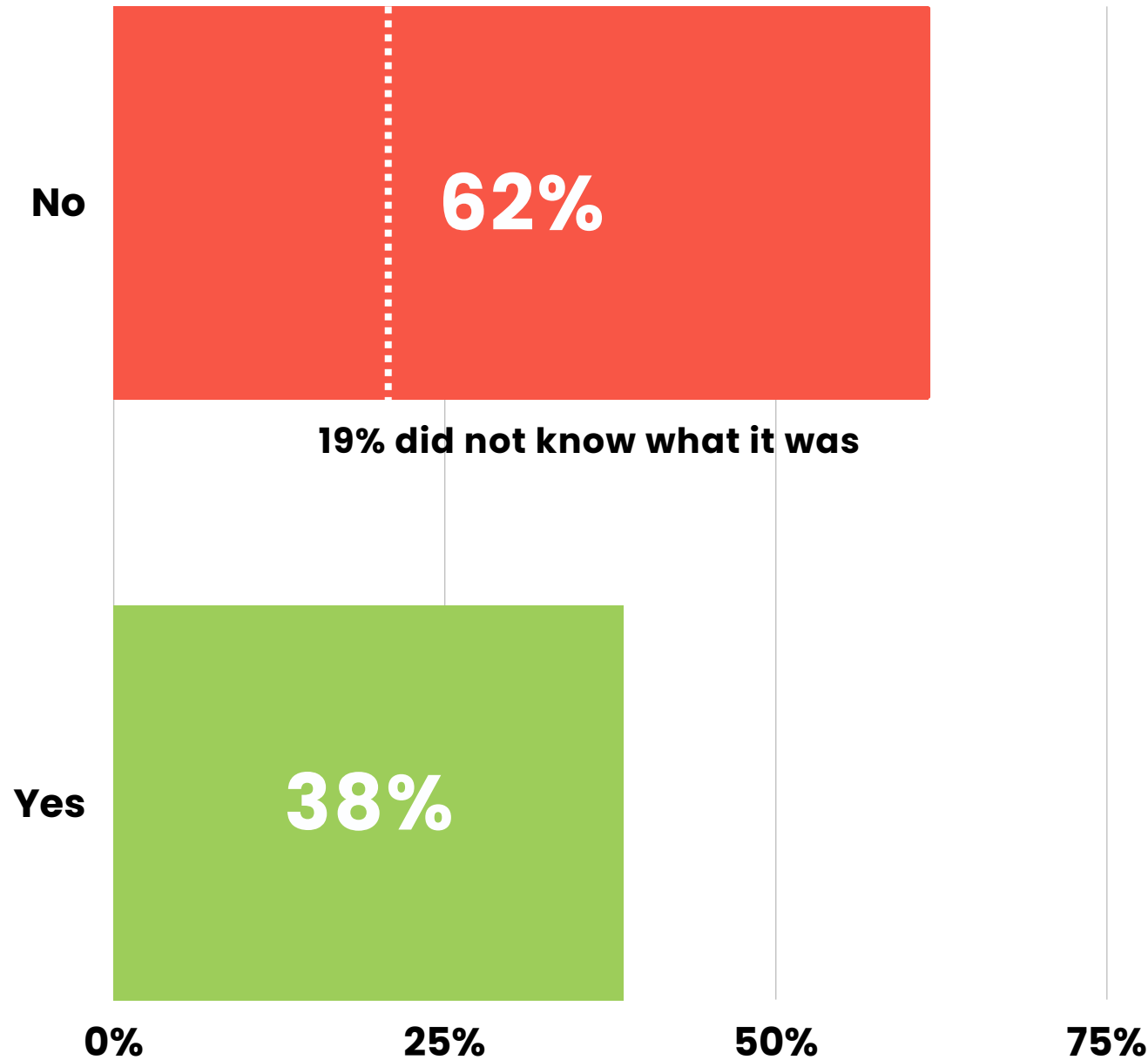
Climate Strategy Questionnaire, 2022

LEADING SMES HAVE IDENTIFIED THE **BENEFITS** OF THE CLIMATE TRANSITION AND HAVE STARTED TO **TAKE ACTION**

Does your company have a net zero emissions target for 2050 or sooner?

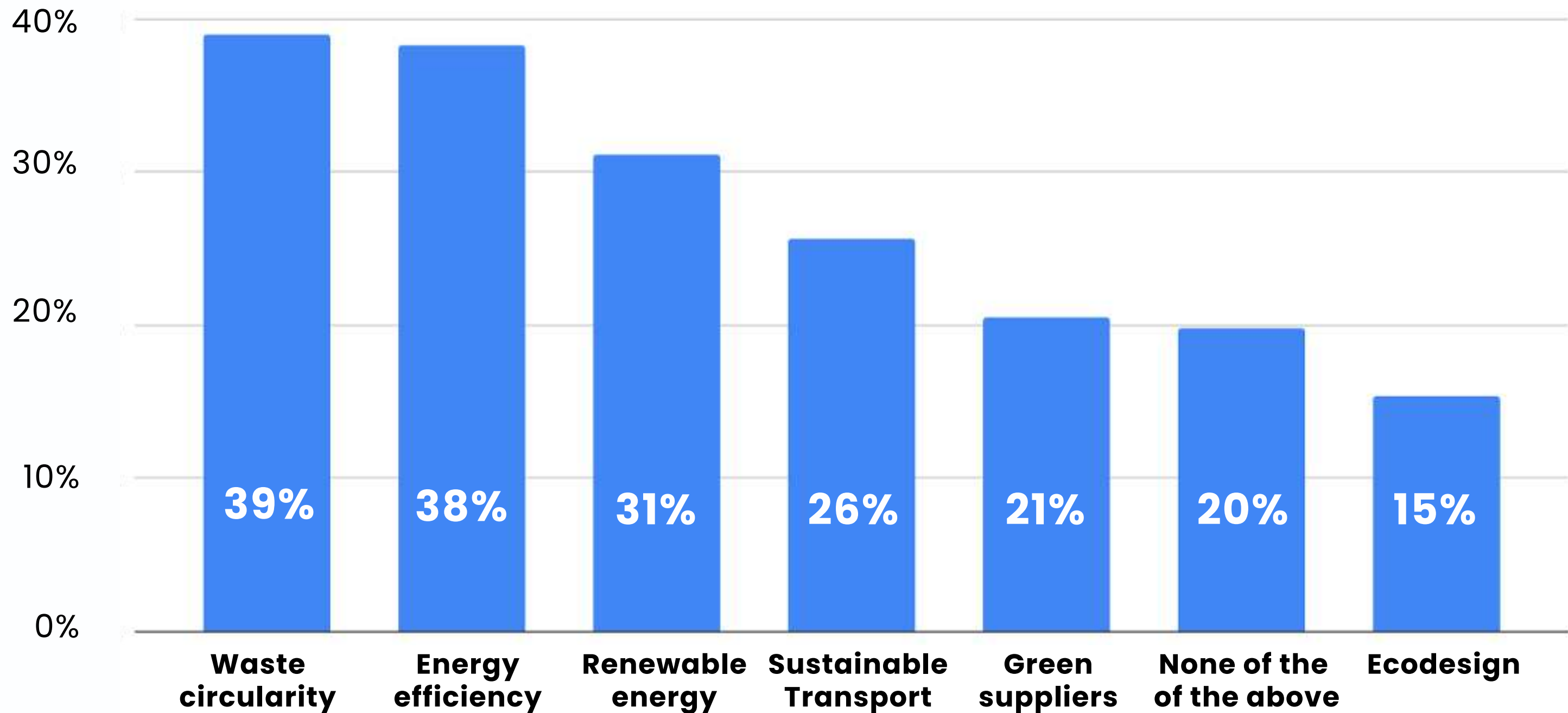


Does your company have a Climate Action Plan?



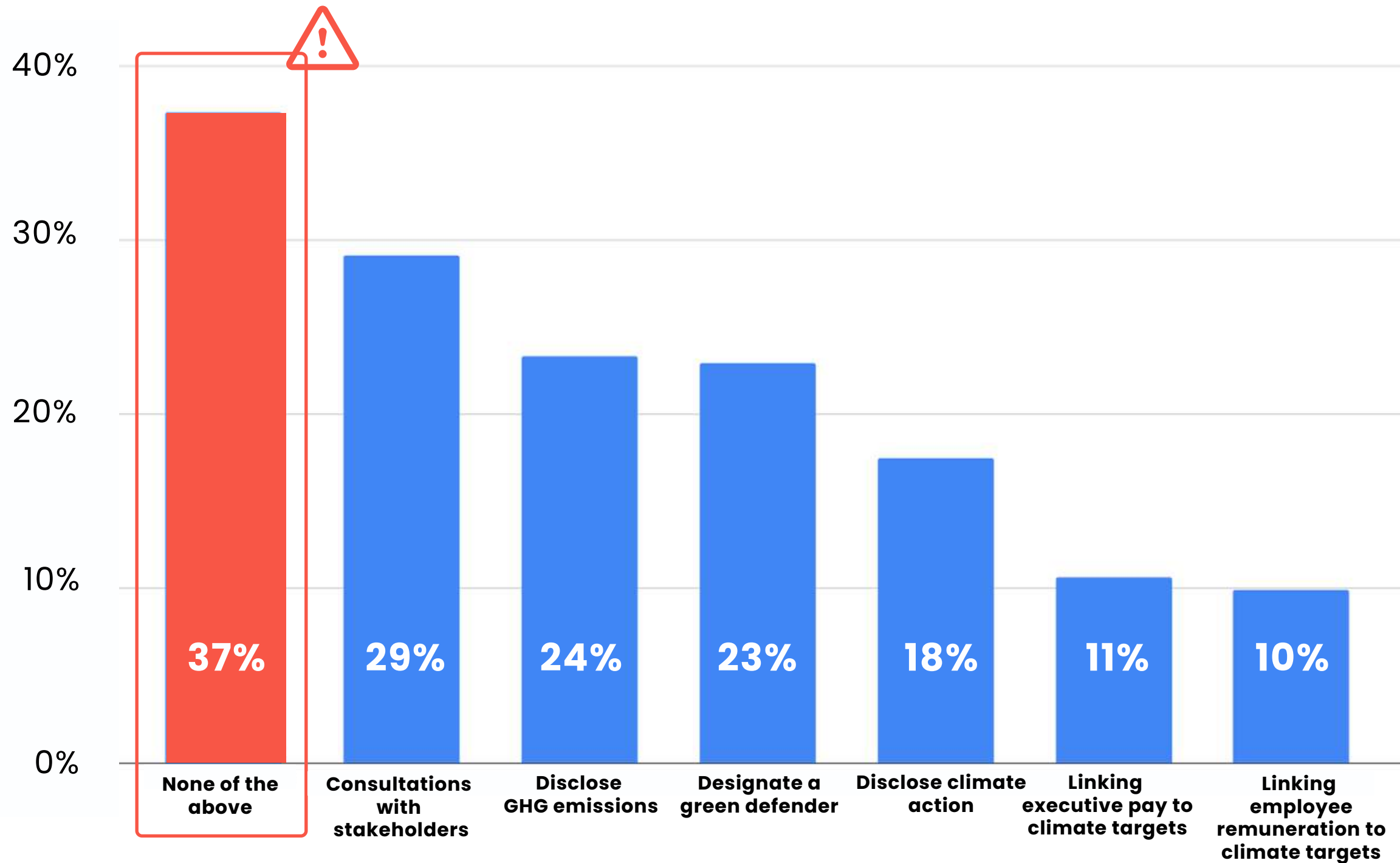
THEY HAVE ALREADY IMPLEMENTED CLIMATE ACTION IN **SOME KEY AREAS** ...

Has your company implemented actions in any of the following areas?



... BUT THEIR STRATEGIES DO NOT HAVE A **STRUCTURAL** APPROACH

Has your company implemented actions in any of the following areas of climate governance?



58%

of SMEs have not yet calculated their carbon footprint

42% FEEL PRESSURE FROM THEIR STAKEHOLDERS, BUT THEIR RESPONSES HAVE BEEN **SELECTIVE AND AD HOC...**

Main drivers*	Main Barriers**	What do they need?
21% customers	48% lack of funding	External financial support
18% employees		Legislative support
13% suppliers	43% lack of knowledge	Adapted guides and practices
10% Government		Training

*Other drivers: Shareholders (5%) and creditors (3%)

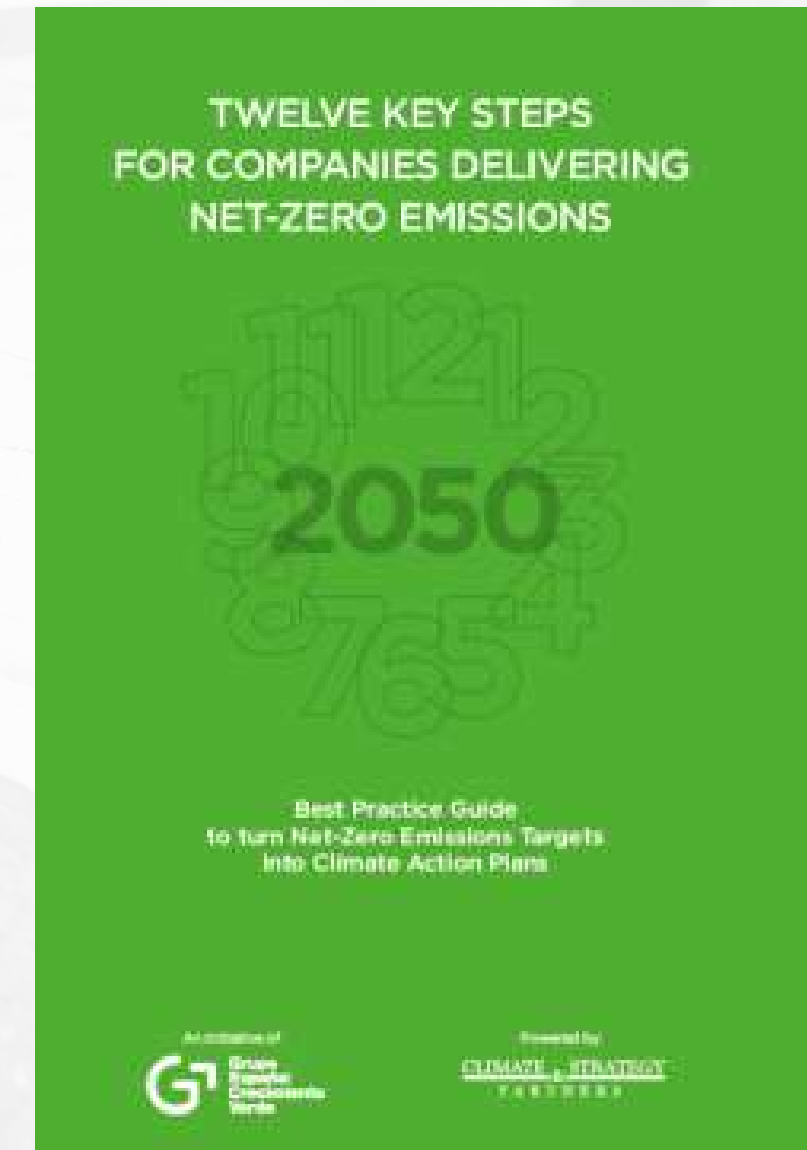
**Other barriers: lack of time (24%) and lack of skills (16%)

Climate Strategy Questionnaire, 2022

37 SPANISH COMPANIES WITH €300+ BILLION IN REVENUES PRESENTED A BEST PRACTICE GUIDE ON COP26...



Mapping global initiatives focused on business climate action





01

Reduction targets for SM&Es

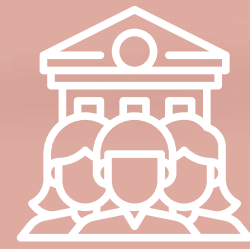
- **Calculate Scope 1 and 2** emissions and **Scope 3** if they can account for a **significant** proportion (>40%)
 - Set science-aligned targets:
 - **50% GHG** emission reductions by **2030** and **>90% by 2050**
 - Analyze climate **risks** (physical and transition) and **opportunities** in an energy crisis
- **Permanent high-quality offsetting** of only residual emissions (<10%) and investment in quality **restoration and conservation** of natural carbon sink projects



02

Climate action for SMEs

- Any Climate Action Plan has to be **economically justified in the long term**: analyse investments and identify **external support**
- Establish a **stakeholder dialogue** with workers and local communities to ensure a **fair transition**
- Develop an action **roadmap** considering the following areas: energy efficiency, renewable energy, eco-transport, eco-design, waste circularity and green suppliers.. inter alia
- Analyse physical climate risks and set **adaptation targets and actions**



03

Climate Governance for SMEs

- **Discuss results of stakeholder dialogue** in the context of the Plan and coordinate **joint actions**
- **Appoint a "green champion"** for the company responsible for climate monitoring at the C-suite/ director level
- Establish quantitative performance **indicators** and **evaluate and disseminate** the Plan's progress on an annual basis.
- **Position and communicate** the Action Plan to set an example and mobilise others



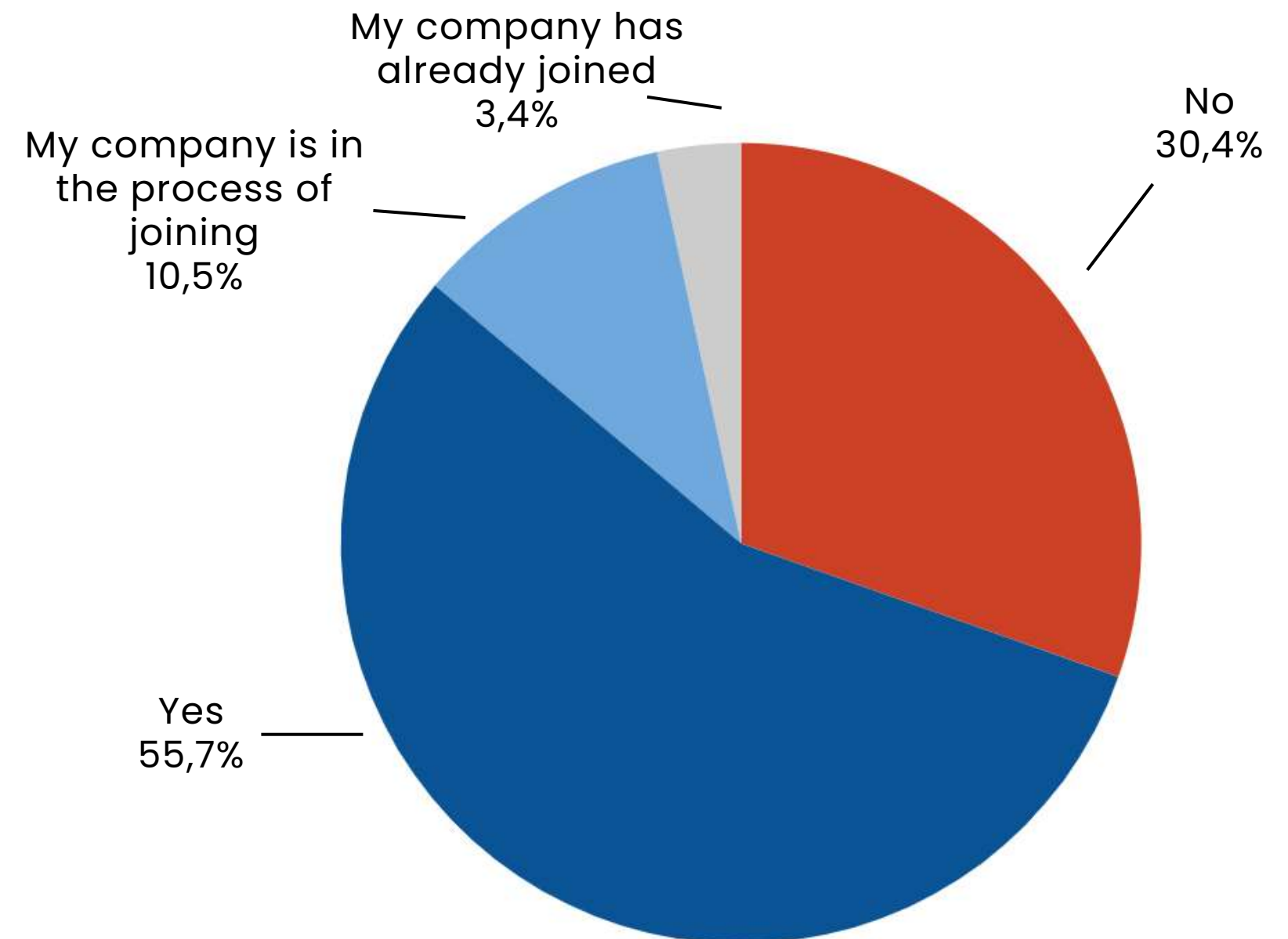
THERE IS A **GROWING INTEREST** TO JOIN GLOBAL DECARBONISATION EFFORTS VIA SME CLIMATE HUB



The way to be part of the initiative consists of:

1. **Measuring** greenhouse gas emissions
2. **Commit** to reducing these emissions
3. **Take action** to achieve the objectives
4. **Regularly report** on the progress made

Would you consider learning more about the SMEs Climate Hub?



9 RECOMMENDATIONS THAT CAN HELP SPANISH SMES ACCELERATE THEIR DECARBONISATION



Offer support with a more structural approach for SMEs in **key sectors** with the aim of identifying **common areas and similar steps towards** decarbonisation.

9 RECOMMENDATIONS THAT CAN HELP SPANISH SMES ACCELERATE THEIR DECARBONISATION



Create and build-up **sustainability best practice networks** segmented and focused on providing **mutual regional and sectoral support** to advance and monitor decarbonisation progress and address existing barriers.

9 RECOMMENDATIONS THAT CAN HELP SPANISH SMES ACCELERATE THEIR DECARBONISATION



Transparency is key: SMEs must be incentivised to develop a **decarbonisation framework** with clear and aligned key performance indicators (KPIs).

9 RECOMMENDATIONS THAT CAN HELP SPANISH SMES ACCELERATE THEIR DECARBONISATION



Accountants and external auditors can play an important role in advising SMEs and boosting the supply of **carbon accounting services for a CO₂e footprint calculation.**

9 RECOMMENDATIONS THAT CAN HELP SPANISH SMES ACCELERATE THEIR DECARBONISATION



Public funding should be targeted at **SME sectors with a significant climate mitigation contribution**, these can be identified by sustainability best practice networks and highlight the most material GHG emission reduction potential.

9 RECOMMENDATIONS THAT CAN HELP SPANISH SMES ACCELERATE THEIR DECARBONISATION



Develop **best practice guidelines** for **offsetting residual emissions** (no more than 10%) in line with scientific recommendations.

9 RECOMMENDATIONS THAT CAN HELP SPANISH SMES ACCELERATE THEIR DECARBONISATION



Focus more **collaboration and research** initiatives to deepen knowledge on how Spanish SMEs can contribute to **climate adaptation**.

9 RECOMMENDATIONS THAT CAN HELP SPANISH SMES ACCELERATE THEIR DECARBONISATION



A **green tax reform** (VAT relief on green products, accelerated depreciation on EE, etc.) to encourage green practices among SMEs.

9 RECOMMENDATIONS THAT CAN HELP SPANISH SMES ACCELERATE THEIR DECARBONISATION



Establish more national events and awards to give **recognition and visibility** to SME leaders in climate action and innovation.

NOVEMBER 2022

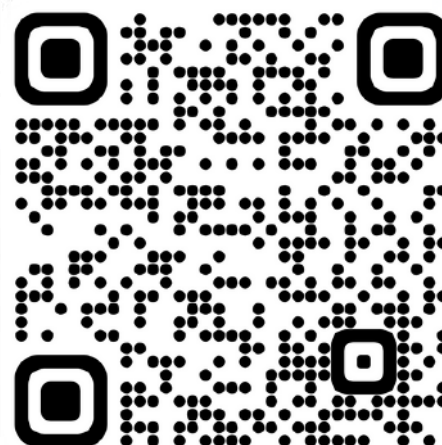


Mobilising SMEs in the face of the Climate and Energy Crisis

Analysis and Best Practices in Spain



QR code to download the report



Thanks!

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