

19 August 2022

## **Climate Change, Environment and Infrastructure Committee**

### **Importance of SMEs**

FSB Wales is the authoritative voice of businesses in Wales. It campaigns for a better social, political, and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

The decarbonisation of housing represents an opportunity to involve SMEs – which constitute over 99% of businesses in Wales – in the Welsh Government's ambition to decarbonise, notably in the areas of advice services and the development of skills.

### **Competing challenges and priorities**

SMEs often have limited time and resources and, as FSB's Small Business Index consistently shows, small firms are currently facing a range of pressures including rising input costs and skills shortages. These other pressures are often urgent, in the sense that action must be taken immediately, whereas the need to make a plan on sustainability is rarely seen as something that must be done straight away. A similar picture emerges with regard to measurement of carbon footprints. Only 9% of small businesses have measured their carbon footprint, with over two thirds acknowledging that they do not know how to do so. Completing this exercise is complex and requires allocating extra time that most time-constrained small businesses do not have.

However, it is also true that SMEs recognise the role that they will have to play. FSB Wales research highlights that 73% of small business owners agree that they have a responsibility to help achieve climate change targets. These sentiments are also true of those in the housing sector. Despite this significant positive sentiment, our research has also found that access to support for these businesses has been limited.

### **Support services and green skills**

For the domestic sector, schemes such as NEST help provide individuals with advice on home energy efficiency measures. FSB Wales has advocated for a similar service to NEST provided for SMEs, through Business Wales, that would help them to understand their baseline environmental impact across all areas of their business, and which could signpost them towards potential areas of action. The next iteration of advice services should therefore explore how SMEs in the housing sector can be supported to improve their carbon footprint.

The experience of recent months has highlighted the value of having a workforce with the necessary skills. The context of Net Zero ambitions further underscores the necessity to develop desired skills to achieve a low carbon economy and link these to building supply chains and incentivising economic activity. This forms a key part in a positive 'making and shaping markets' approach to taking advantage of the economic and business opportunities of transition to low carbon and net zero.

The Welsh Government must prioritise the area of supporting green skills. Allowing people to retrain in new, green skills will help improve employment as well as environmental outcomes. Skills boot camps could also be used to retrain people in green skills, if they are rolled out widely enough across the country.

Collaboration between education, employers and policy makers will be central to the development of a strategically targeted long-term skills plan. Central to this should be FSB's longstanding call for proper engagement with small businesses in the roll-out of the skills-related activity. The Welsh Government should adopt a 'Think Small First' approach to upskilling in this area, making it as straight-forward as possible for small businesses to access and benefit from.