

Green growth and SMEs

Green growth – as a means to reconcile economic growth with environmental sustainability – offers a number of business opportunities for SMEs. Companies can benefit from putting environmental products and services on the market, and from greening their operations. To help overcome existing obstacles, and enable SMEs to tap into the potential of green growth, the European Commission has proposed a Green Action Plan for SMEs.

SMEs and the environment – state of play and main challenges

Small and medium-sized enterprises ([SMEs](#)) represent at least 90% of all EU businesses, account for two thirds of private-sector jobs, and are considered an important driver of [growth, innovation and job creation](#).

According to [estimates](#), about 40-45% of SMEs have a high environmental impact, mainly due to pollution, energy use and waste generation. While SMEs in high-impact sectors (e.g. manufacturing, food, energy production, transport and construction) are most likely to benefit from cost reductions offered by environmental improvements, all sectors can profit from greening their operations in some way. At present, [over 90% of EU SMEs](#) engage in at least one action reducing their environmental footprint. Such investments tend to be low-cost and focus mainly on minimising waste, recycling, saving energy, materials and water, with a smaller portion dedicated to renewable energy and selling scrap material. The major reason for these investments is to ensure legislative compliance while cutting costs. The main [obstacles](#) to green investments are seen to be lack of specialist knowledge, excessive regulatory burdens and financial constraints.

Currently [26% of SMEs](#) offer green products and services, with the EU a world leader in environmentally friendly technologies. Fast-growing export markets offer considerable potential, but SMEs do not always have the expertise or resources to market their products abroad.

Green Action Plan

In its 2014 [Communication](#), 'Green Action Plan for SMEs - Enabling SMEs to turn environmental challenges into business opportunities', the European Commission proposed a series of measures aimed at helping SMEs to reap the benefits of green growth. The plan focuses on resource efficiency, eco-innovation, greener value chains, and market access for green SMEs. Key [actions](#) include advising SMEs on the cost-effectiveness of resource efficiency investments; facilitating access to finance; assisting internationalisation; supporting green entrepreneurship; developing green skills; supporting circular business models; and setting up collaborations across value chains. Enhanced resource efficiency alone is expected to reduce production costs and increase productivity, with [potential savings](#) calculated at €630 billion per year for European industry. It should also translate into increased competitiveness.

Financing

Although the Green Action Plan does not provide for a separate budget, companies wishing to green their practices can tap into several existing EU funding schemes: Competitiveness of Enterprises and Small and Medium-Sized Enterprises ([COSME](#)), [Horizon 2020](#), the [LIFE](#) programme, European Structural and Investment ([ESI](#)) Funds and the [Partnership Instrument](#). In addition, European Investment Bank instruments can be used, including the Natural Capital Financing Facility ([NCFE](#)) and Private Finance for Energy Efficiency instruments ([PF4EE](#)).

The motion for [resolution](#) on 'Green growth and business opportunities for SMEs', drafted by the EP's Committee on Industry, Research and Energy (rapporteur: Philippe De Backer, ALDE, Belgium), identifies four key areas: financing, research, development and innovation, knowledge transfer, and regulatory frameworks. It underlines the diversity of SMEs in the EU and advises against one-size-fits-all models, including for forms of finance. It also emphasises the need to strengthen the entrepreneurial culture in the EU and alleviate regulatory burdens on SMEs. The resolution is scheduled for a vote in plenary in May 2015 (procedure file [2014/2209\(INI\)](#)).