

WHY SUSTAINABLE
SMEs HOLD THE KEY TO
THE CIRCULAR
ECONOMY
- EXECUTIVE SUMMARY



ecopreneur.eu



Brussels, September 2021

EUROPEAN SUSTAINABLE BUSINESS FEDERATION

Key message 1: SMEs hold the key to the circular economy

With their total number of 22.5 million in the EU, small and medium sized enterprises (SMEs) are widely recognised as the backbone of our economy. Given their economic and environmental importance and their potential to bring radical, disruptive and highly necessary innovations to the market, they are vital players in the transition to a new economy that is low-carbon, circular and inclusive. While targeting multinationals in the most polluting sectors to create mass scale is valid and necessary, it covers less than half of the total picture because SMEs have the largest footprint and are much better at realising sustainable solutions.

“Supporting SMEs to switch to sustainable business models is essential for the success of the EU Green Deal”

Guido Lena, SMEUnited

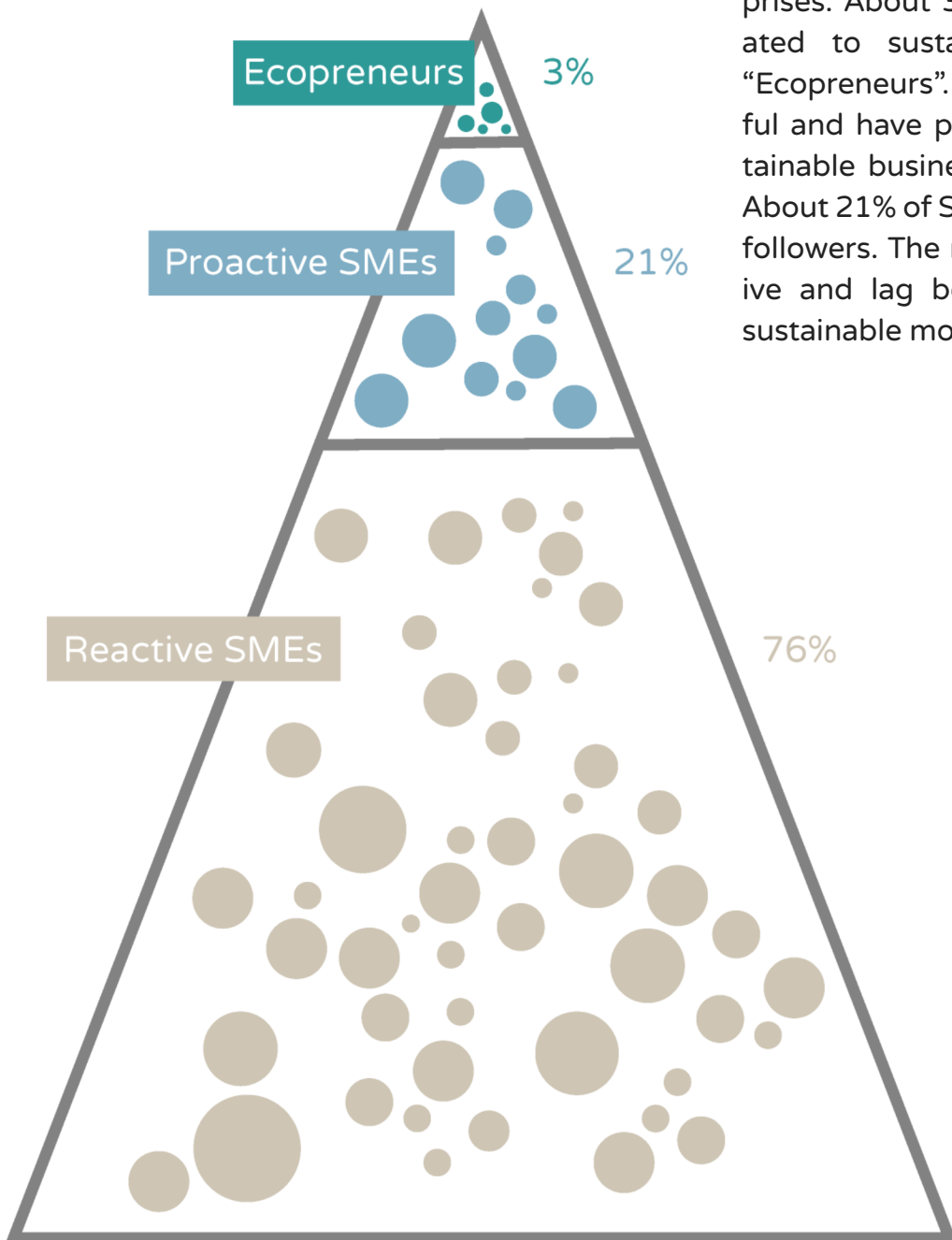


Photo: BONPAIN

Key message 2: The full innovation potential of SMEs is yet to be unleashed

Only the full mobilisation of EU SMEs can achieve the resilient, climate neutral, resource efficient and fair economy that the European Green Deal seeks to realise. Existing and planned policies fall short of achieving this. In fact, SMEs have stalled as regards their progress. New approaches to mobilise all SMEs should be an absolute priority.

Key message 3: Sustainable SMEs or “ecopreneurs” are already successful on a small scale



SMEs form a very diverse group of enterprises. About 3% are leading and dedicated to sustainability; we call them “Ecopreneurs”. Ecopreneurs are successful and have proven the viability of sustainable business models in the market. About 21% of SMEs are pro-active, or fast followers. The majority of 76% are reactive and lag behind with implementing sustainable models.

Key message 4: Ecopreneurs face numerous barriers to growth and mainstreaming

MAIN BARRIERS

FOR ALL SMEs:

Lack of:

- Demand for sustainable products/services
- Transparency throughout the value chain
- Access to funding
- Awareness
- Collaborative networks
- Circular metrics
- Green Business advocacy

As well as:

- Unlevel playing field: fierce competition from unsustainable products/services
- Complexity of circular design
- Regulatory barriers

FOR PROACTIVE SMES:

- Lack of successful national examples

FOR REACTIVE SMES:

- No obvious cost reductions

MAIN ENABLERS

FOR ALL SMEs:

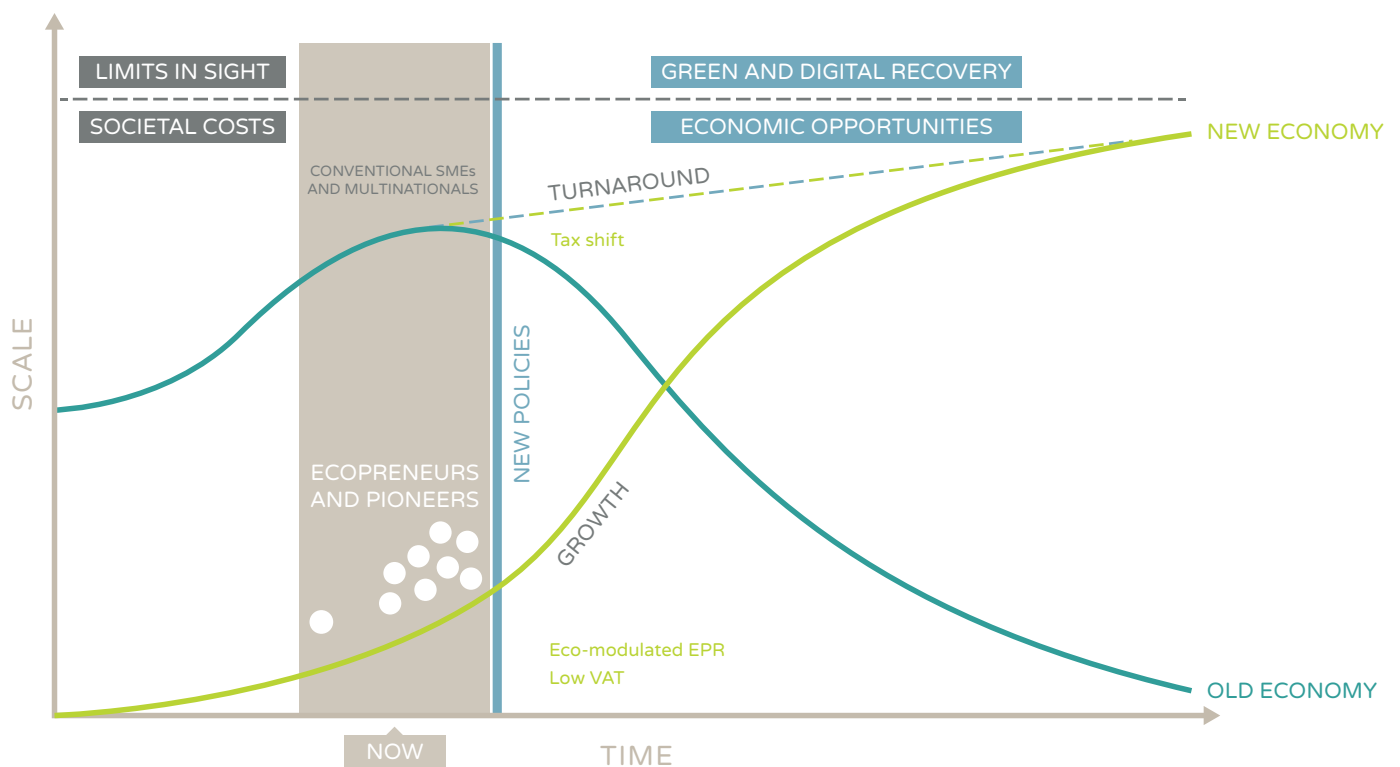
- Regional Circularity Hubs to support SMEs
- Economic incentives: carbon pricing, extended producer responsibility, fiscal
- Green procurement by large companies
- Green public procurement
- Carbon border adjustment levy
- New standards
- Transparency policies
- New trade policies
- Voluntary actions

FOR ECOPRENEURS:

- Joint ventures
- Corporate venturing
- Co-creation

FOR PROACTIVE AND REACTIVE SMES:

- 2-3 years to innovate and comply with new rules and standards



Source: Ecopreneur.eu, 2021

Schematic overview of the transition to a new economy. The “free” market forces of the old economy have optimised all activity to grow beyond our planetary limits (horizontal dotted grey line). This has resulted in huge and increasing societal costs which include those of the COVID-19 and climate crisis. A new economy is emerging but faces multiple barriers. New policies including eco-modulated Extended Producer Responsibility (EPR) and temporary low VAT regimes are needed to enable ecopreneurs and other pioneering companies to grow and become mainstream. A tax shift from labour to resources will enable conventional SMEs and multinationals to turnaround (dotted grey line) into the new economy (rising blue line) as well, with the use of old economy models decreasing to zero (decreasing blue line). Societal costs make way for green and digital recovery and economic opportunities.



Ecopreneur.eu recommends a sustainable recovery program with six pillars to foster ecopreneurs:

- 1** Launching regional Circularity Hubs, public-private partnerships to assist SMEs with implementing circular models
- 2** Active engagement of ecopreneurs as front-runners to create a "race to the top" as leading examples and a basis for new standards
- 3** 100% Green implementation of the European Recovery Plan: attach 100% green strings to EU recovery funding in order to avoid lock-in into the fossil economy
- 4** Rewarding ecopreneurs by introducing economic incentives based on "true pricing", such as harmonised Extended Producer Responsibility (EPR) schemes with eco-modulation of fees, low VAT rates, green and circular public procurement, and an effective carbon border adjustment levy to end unfair competition from abroad
- 5** Innovation funding and subsidies that are attractive to SMEs, including free vouchers for SMEs to spend on their switch to circular business models
- 6** Enacting progressive EU legislation including rapid implementation of the Sustainable Products Initiative (SPI), a mandatory gate-to-gate Life Cycle Assessment (LCA) for the majority of companies, a second SME impact assessment, an improved Competition Law and further EU harmonisation.

ABOUT ECOPRENEUR.EU

ECOPRENEUR.EU is the European Sustainable Business Federation of currently seven national associations representing over 3000 sustainable companies - mostly SMEs. We show best practice examples, bring concrete experience from our companies into the political debate and represent their needs. Ecopreneur.eu is the only cross-sectoral EU business organisation advocating ambitious measures, rules and regulations to create a new framework for a sustainable economy.

MORE INFORMATION

For more information about our policy recommendations, members, projects, news and publications please visit www.ecopreneur.eu

CONTACT INFORMATION

For more information please contact Arthur ten Wolde, Executive Director of ECOPRENEUR.EU at tenwolde@ecopreneur.eu, +31 6 1319 6238

Cover photo: Werkhaus

