



Llywodraeth Cymru  
Welsh Government



# Welsh Government Business Decarbonisation Brochure

February 2025

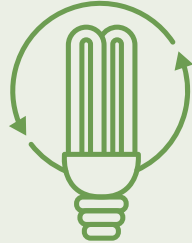
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Mae'r ddogfen yma hefyd ar gael yn Gymraeg.  
This document is also available in Welsh.

# Foreword



**Wales stands at the cusp of a new industrial revolution. Just as our communities were the beating heart of the first industrial revolution – driving the production of iron, coal and steel that shaped our nation today, we have the opportunity to once again be at the forefront of innovation and progress.**

Our nation thrives on a diverse economy rooted in manufacturing, service industries, agriculture and an exciting shift towards renewable energy.

This transition is not merely a necessity, it is an opportunity for small and medium enterprises (SMEs) to flourish, creating new supply chains and fostering fulfilling careers. As communities regenerate, we look to the future with optimism.

Central to this economic transformation is the shift from high to low carbon energy. SMEs must reduce their carbon impacts, adapt to climate change and capitalise on the emerging networks of sustainable supply chains.

The brochure outlines the strategic context, presents researched evidence on carbon and financial impacts and provides references to a wealth of technical and of financial support.

I hope that it serves as a valuable resource for policy makers, SME managers and anyone seeking to understand the strategic and policy landscape surrounding the decarbonisation of the business sector in Wales.

To potential investors considering Wales: our direction is clear. Our strategic and policy framework, underpinned by legislation, is committed to a 'Just Transition' towards a greener economy with more green jobs. This creates a stable, optimistic environment for investment, growth and innovation.

The Welsh Government is dedicated to building a prosperous economy that benefit all corners of Wales, providing opportunities for every citizen. Our new economy, fuelled by low carbon renewable energy, will support advanced manufacturing, a world leading service sector, sustainable food and drink, and thriving businesses across all sectors.

We will manage our natural resources with care and promote biodiversity. Our commitment includes providing modern, efficient public transport and developing a road network that connects new Freeports and areas of growth. Our education system will be tailored to meet the needs of this evolving new economy, offering opportunities for everyone, from school to those pursuing re-training throughout careers.

We will work closely with the new UK Government, which shares our ambitions and values, to stimulate economic growth and create new jobs in renewable energy, while minimising our carbon impact.

I invite everyone to join our national effort to make Wales a prosperous, sustainable nation offering opportunities for happiness and fulfilment – driven by our economic transition.



**Rebecca Evans MS**

Cabinet Secretary for Economy,  
Energy and Planning

# 1 Introduction



**The decarbonisation of the business sector in Wales will be delivered by initiatives across Welsh Government, public sector partners and the business sector. There are many ways that the carbon impacts of businesses can be reduced to create potential pathways to decarbonisation. Pursuing these pathways also provides SMEs throughout supply chains with the opportunities that come with being part of the transition to a low carbon economy.**

There is a lot of evidence, research reports, many strategies that impact upon the approaches to decarbonising businesses and this reference document collates the information available, sets out the policies being pursued and explains the strategic fit of business decarbonisation with other Welsh Government areas of responsibility and wider economy and society.

Feedback from some business representatives is that decarbonisation has been, for some, a lower priority than operating to survive. The increase in the costs of fuels and energy have shifted priorities, as some of the ways of decarbonising (e.g., reducing fuel/energy consumption) help businesses reduce operating costs. There is now an opportunity to decarbonise and to save money at the same time which means that business priorities and the imperative to decarbonise the economy are aligned.

Decarbonising the Welsh economy will rely heavily on decarbonising energy intensive industries (EIs) and large businesses. However,

decarbonising small and medium enterprises (SMEs) is also important, as Welsh carbon reduction ambitions and targets depend upon all sectors of the economy contributing. It is SMEs and micro-business upon which this brochure focuses.

The UK Business Climate Hub is a collaboration between the UK Government, businesses and business groups across the UK. The Hub is the UK partner of the SME Climate Hub, a global initiative which empowers small and medium-sized enterprises to take climate action: **UK Business Climate Hub – find advice on energy saving and net zero for SMEs.**

This Brochure complements other sources of information and support, though it sets the strategic, policy and legislative context for Wales. It includes Wales specific data and analysis. This reference document should not be read as a report, rather stakeholders should refer to areas of direct relevance to them and ‘dip into’ the Brochure in ways that are most helpful to them.

# 2

## Climate Change Committee Wales



The Climate Change Committee (CCC) advises the UK and devolved governments on preparing for climate change. The Welsh Government responses to CCC advice are at: [Climate Change Committee | GOV.WALES](#).

In its June 2023 'Progress Report: Reducing emissions in Wales', [Progress Report: Reducing emissions in Wales – Climate Change Committee \(theccc.org.uk\)](#), the Climate Change Committee recommended (in R2023006) that the Welsh Government:

**Publish a decarbonisation strategy for Welsh Businesses, including a review of opportunities to prioritise Net Zero objectives within Welsh Government incentives, procurement requirements, finance provisions and planning policy levers.**

The Welsh Government decided not to produce a 'strategy', instead focusing on producing a strategic document intended to be useful for those managing businesses, particularly small and medium enterprises (SMEs) in Wales. This 'Business Decarbonisation Brochure', is intended to prioritise net zero objectives as opportunities for Welsh businesses and their supply chains.

Whilst the Brochure does not address every priority, it considers themes including technical support and financing and a range of sectors in the Welsh economy.

The Brochure sets the strategic context, presents data and signposts SMEs to sources of information and support.

# 3

## Overarching strategies and legislation



The Welsh Government publication ‘Wales and the Sustainable Development Goals’ (2019) sets out the context for Wales’ approach to promoting sustainable development and addressing climate change: [supplementary-report-to-the-uk-review-of-progress-towards-the-sustainable-development-goals-2030\\_0.pdf \(gov.wales\)](#).

“ **The policy and institutional framework for sustainable development in Wales was firstly framed by the founding legislation of devolution in the Government of Wales Act 1998 where there was a duty to promote sustainable development through a scheme. The Well-being of Future Generations Act from 2015 (WFG Act) strengthened this framework considerably through a comprehensive approach to sustainable development.** ”

The Welsh Government declared a climate emergency in April 2019: [Welsh Government makes climate emergency declaration | GOV.WALES](#).

There is a body of legislation which creates the legal framework for addressing climate change and decarbonisation of the economy and society.

### 3.1 Economic mission

The Economic Mission is a statement of the key priorities of the Welsh Government for a prosperous, greener and fairer Welsh economy. It contains the four principal ambitions of:

1. **A just transition and green prosperity.**
2. **A platform for young people, fair work, skills and success.**
3. **Stronger partnerships for stronger regions and the everyday economy.**
4. **Investing for growth.**

[Economic mission: priorities for a stronger economy \[HTML\] | GOV.WALES](#)

The Mission’s objective of a just transition and green prosperity is fundamentally dependent upon the decarbonisation of the Welsh economy. This brochure sets out the strategic and policy context for achieving this objective of the Mission and contains references to sources of support, including technical and financial.



### 3.2 Well-being of Future Generations Act 2015

Welsh Ministers have a duty to promote sustainable development under section 79 of the Government of Wales Act 2006. All public bodies have a duty to promote sustainable development under section 3 of the Well-being of Future Generations (Wales) Act 2015. The sustainable development principle and the well-being goals are described in the Act and the goals are:



- **A prosperous Wales** which includes being a resource efficient and low carbon society.
  - **A resilient Wales** that enhances biodiversity and ecosystems.
  - **A healthier Wales** in which people's physical and mental well-being are maximised.
  - **A more equal Wales** that enables people to fulfil their potential.
  - **A Wales of cohesive communities** with attractive, viable, safe and well-connected communities.
  - **A Wales of vibrant culture and thriving Welsh language** where Welsh culture, heritage and language are protected.
  - **A globally responsible Wales** that promotes global economic, social, environmental and cultural well-being.
- Decarbonisation of the Welsh economy is an ambition that aligns with several of the Wellbeing goals. Wales needs to decarbonise responsibly, in a way that promotes a just transition and promotes individual and community opportunities, as well as contributing to global efforts to reduce carbon emissions and adapt to the impacts of climate change.

### 3.3 Environment (Wales) Act 2016

The Environment (Wales) Act 2016 requires the Welsh Ministers to ensure that greenhouse gas emissions in Wales are reduced by at least 100% in 2050, compared to the baseline<sup>1</sup>. This is also known as 'net zero', which means that emissions are in balance with the amount of gases we're removing from the atmosphere, for example via planting trees.

Between now and 2050, Wales has decadal targets for 2030 and 2040, as well as a system of carbon budgets that set a statutory limit on the amount of emissions we can produce during each 5-year period. Carbon Budget 2 runs from 2020–25 and requires an average reduction of 37% compared to the baseline, while Carbon Budget 3 (2026–30) requires an average reduction of 58%. Emissions in 2030 must be 63% lower than the baseline.

The information and advice provided and referenced in this brochure should assist SMEs, micro-businesses and their supply chains to decarbonise their activities in line with carbon budgets. It will focus particularly on Scope 1 and Scope 2 emissions, though also aspects of Scope 3 emissions:

- **Scope 1 –**  
Direct emissions from premises and vehicles.
- **Scope 2 –**  
The emissions created during the production of energy to be used in premises, vehicles.
- **Scope 3 –**  
Emissions from the supply chain of goods and services, including waste management.

The regulatory framework created under the Environment (Wales) Act is very well described in a report by the Climate Change and Rural Affairs Committee Report on the Climate Change (Wales) Regulations 2021 March 2021: [cr-ld14183-e.pdf \(senedd.wales\)](#).

### 3.4 Economic contract

Economic Contracts have been agreed with businesses and organisations that the Welsh Government works with and supports.

Whilst not directly linked to funding they have been a gateway to applying for direct business support such as the Economic Futures Fund.

The Economic Contract: [The Economic Contract | Business Wales \(gov.wales\)](#) is currently being evaluated and a report will be published in early 2025.

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1. The baseline is 1990 or 1995, depending on the greenhouse gas in question.

# 4

## An overview of Small and Medium Enterprises



The importance of SMEs to the Welsh economy is shown in the Statistical Bulletin: [Size analysis of businesses: 2023 | GOV.WALES](#).

In 2023 SMEs (0 to 249 employees) in Wales accounted for:

- 99.3% of active enterprises in Wales
- 62.3% of employment
- 43.4% of turnover.

SMEs are therefore critically important to the Welsh economy.

### Proportion of Welsh businesses by industry with 250 employees or fewer, split by turnover (2021)

Business size-band	Agriculture	Production	Construction	Distribution, Hotels, Restaurants and Transport	Financial and business services	Public Administration, Health, and Education	Other services
SME Proportion	86%	25%	76%	48%	N/A	61%	72%

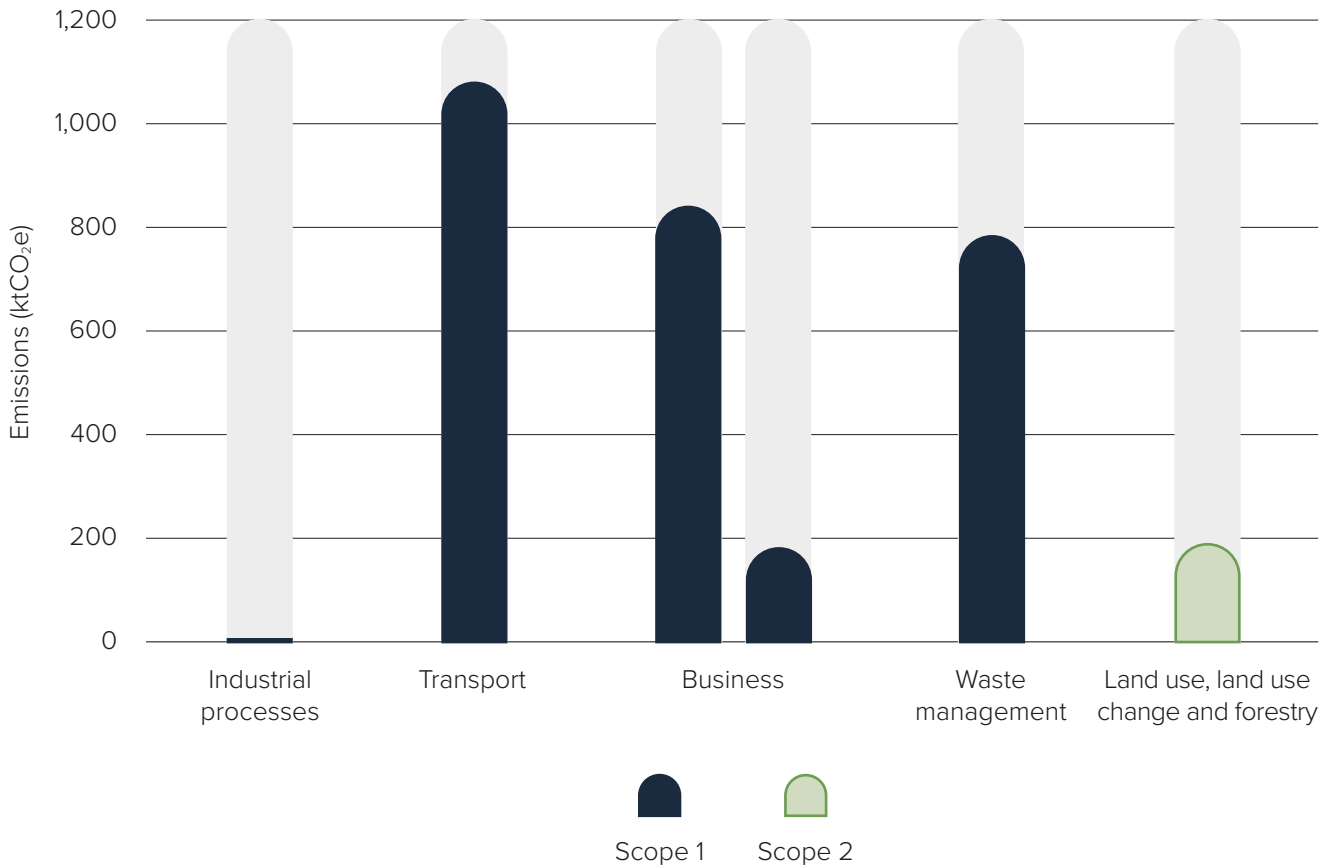
Ricardo AEA was commissioned to establish a baseline of carbon emissions for the SME sector in Wales. 2022 was the most recent year for which complete data was available. They considered scope 1, 2 and 3 emissions.

SCOPE	ktCO <sub>2</sub> e
Scope 1	2912
Scope 2	180
Scope 3	4698
TOTAL	7790

The Ricardo AEA report includes a presentation of carbon impacts according to National Communication Sectors.

This highlights that, in terms of these sectors, and for scope 1 and 2 emissions, it is 'Transport' that has the biggest carbon impact.

**Figure 1: Scope 1 and 2 baseline by National Communication Sector format (2021)**



# 5

## Climate resilience



Even in the best-case scenarios for future global warming, there will still be further changes to our climate and weather systems. There will be further sea level rise and increasing frequency and severity of weather extremes such as storms, flooding, heatwaves and drought. There are associated risks to business and industry arising from potential impacts upon staff health and productivity, water, power and ICT/telecoms, transport, distribution and supply chains. It is important that businesses take reasonable steps to consider and mitigate these risks as much as possible.

Further information can be found in the [Climate Change Committee's climate risk briefing for the business sector](#).

The Welsh Government's current national climate adaptation plan, [Prosperity for All: A Climate Conscious Wales](#) was published in 2019. An updated climate resilience strategy for Wales is due to be published at the end of 2024.

The report by Ricardo AEA which informs this brochure, shows that extreme weather events are becoming more frequent and more severe. This is leading to more flooding and more droughts.

Flooding can directly impact business premises, equipment and stock. It can affect access for the workforce and customers, deliveries of goods and materials and the despatch of products. Flooding can also disrupt the provision of services, including utilities such as energy, water and wastewater, postal services and emergency services should they be required.

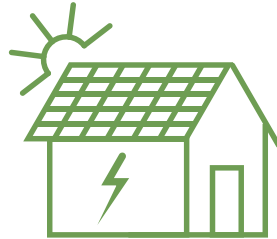
Droughts can lead to increased risk of fire, depletion of water resources and extreme heat can disrupt transport services.

Extreme temperatures can affect equipment and staff, requiring heating or cooling of equipment, products and spaces where staff work. Where staff work outdoors changes may be required in work patterns to avoid extreme temperatures.

Businesses should consider what contingencies they need to ensure operational continuity. This may include ensuring IT systems are safely located (including where there are not temperature extremes); on-site generation of energy (including from renewables) and/or storage of water for use in processes and/or cooling. Businesses should assess the potential, and increasing, risks of the impacts from the effects of climate change and ensure they are insured against these as appropriate.

# 6

## Business premises



Given the high costs of energy, businesses located in shops, offices, factories, workshops, restaurants, cinemas, warehouses, garages etc need to ensure their premises are energy efficient. Premises need to be insulated and designed and arranged to facilitate ventilation during hot weather and retention of heat during cold weather.

The Health and Safety Executive provides support for employers to look after employees during periods of both heat and cold:

[Is it too cold or hot to work? \(hse.gov.uk\)](https://www.hse.gov.uk)

Energy Act 2011: Energy Efficiency (Privately Rented Property) (England and Wales) Regulations 2015 [MEES Regulations]

The Minimum Energy Efficiency Standards (MEES) Regulations are mandatory for commercial buildings in Wales since 1 April 2023. Landlords are not able to rent out buildings with an Energy Performance Certificate (EPC) rating of F or G.

Some premises are exempt from the Regulations, as explained: [Guidance on PRS exemptions and Exemptions Register evidence requirements – GOV.UK \(www.gov.uk\)](https://www.gov.uk)

It was proposed that from 1 April 2027 all non-domestic properties for rent would be required to have a minimum EPC rating of C (unless exempt) and from 1 April 2030 a minimum EPC rating of B (unless exempt). These proposals were dropped in September 2023 as part of the then UK Government's review of measures to achieve Net Zero by 2050.

The EPC rating of a commercial building is determined by a qualified Non-Domestic Energy Assessor (NDEA) based on the construction materials, insulation, heating ventilation and cooling (HVAC) and lighting of the building. The EPC and accompanying report are required if the building is sold, rented and potentially, altered.

EPCs last for 10 years and they are currently regulated by local authority Trading Standards officers.

Business premises may not only reduce their carbon impacts, but also adapt to more extreme temperatures by:

- improving the fabric of buildings
- using LED lighting
- using SMART meters
- switching fuels
- installing infrastructure for on site generation of electricity or heat from renewables.

There is helpful advice on these matters available from:

[Energy | Business Wales \(gov.wales\)](#)

[Advice for businesses and local authorities – Energy Saving Trust](#)

[Climate Action Wales \(gov.wales\)](#)

Data from the Ricardo AEA report shows the numbers of lodgements (premises) according to Energy Performance Certificate (EPC) Rating:

Year	Number lodgements	Total floor area (m2)	A	A+	B	C	D	E	Below E
2023	6,458	4,216,630	300	19	1,665	2,338	1,437	606	93

This illustrates the significant potential and opportunity to reduce carbon impacts and costs of energy by improving EPC ratings. The Ricardo AEA report contains detailed recommendations and assessments of impacts of specific interventions. The top 20 recommendations are copied below:

### Top 20 categories of EPC recommendations

Recommendation category	Example recommendation	% of total
Air leakage	Carry out a pressure test, identify and treat identified air leakage. Enter result in EPC calculation.	5.9
Air source heat pump	Consider installing an air source heat pump	3.1
Boiler replacement	Consider replacing heating boiler plant with a condensing type.	2.8
Cavity wall insulation	Some walls have uninsulated cavities - introduce cavity wall insulation.	3.5
Chiller system setup	The default chiller efficiency is chosen. It is recommended that the chiller system be investigated to gain an understanding of its efficiency and possible improvements.	0.8
Glazing	Some glazing is poorly insulated. Replace/improve glazing and/or frames.	4.5
Ground source heat pump	Consider installing a ground source heat pump.	1.7

Recommendation category	Example recommendation	% of total
Heating controls	Add optimum start/stop to the heating system.	20.5
Heating system investigation	The default heat generator efficiency is chosen. It is recommended that the heat generator system be investigated to gain an understanding of its efficiency and possible improvements.	2.7
Install efficient water heater	Install more efficient water heater.	1.4
Internal wall insulation	Some solid walls are poorly insulated - introduce or improve internal wall insulation.	1.9
Lighting	Replace tungsten GLS lamps with CFLs: Payback period dependent on hours of use.	18.0
Loft insulation	Some loft spaces are poorly insulated - install/improve insulation.	1.7
Point of use HWS	Consider replacing hot water system (HWS) with point of use system.	0.8
Roof insulation	Roof is poorly insulated. Install or improve insulation of roof.	1.3
Secondary glazing	Some windows have high U-values – consider installing secondary glazing.	5.7
Solar control measures (coating/shading)	Some spaces have a significant risk of overheating. Consider solar control measures such as the application of reflective coating or shading devices to windows.	4.5
Solar PV	Consider installing photovoltaic (PV).	4.9
Solar water heating	Consider installing solar water heating.	5.8
Wind turbine	Consider installing building mounted wind turbine(s).	5.7

The top two recommendations (in terms of impact) are heating controls and lighting and they have significant potential to reduce energy consumption and thus carbon impacts and financial costs.



# 7

## Energy



The Welsh Government commissioned Regen to assess energy use in Wales for the period spanning 2019 – 2021: [www.gov.wales/sites/default/files/publications/2022-06/energy-use-wales-report.pdf](http://www.gov.wales/sites/default/files/publications/2022-06/energy-use-wales-report.pdf)

In 2019, energy use across Wales totalled 92.8 TWh. This was a reduction from 109.9 TWh in 2005. It was estimated that ca. 6% of this was consumed by the ‘commercial’ sector.

In 2022 Wales is estimated to have:

- generated 29 TWh of electricity and to have consumed 13 TWh of electricity
- generated a total of 29 TWh of electricity, 7.9 TWh of which came from renewables and 21.1 TWh from fossil fuels
- generated more than 10.4 TWh of electricity and heat from renewable sources – [Energy Generation in Wales: 2022 \(gov.wales\)](#).

The most effective way of decarbonising the Welsh economy, including its SMEs, would be through a low carbon grid providing electricity from renewable sources. The potential for renewables includes the development of marine energy – wind, waves and tides – to produce electricity. There is also a need to reduce dependence on gas, through switching to electricity or potentially hydrogen produced using renewable electricity.

The potential of initiatives such as floating offshore wind (FLOW) in the Celtic Sea is very significant.

The Crown Estate estimates the potential of Leasing Round 5: [Offshore Wind Leasing Round 5 | The Crown Estate](#)

“ **Offshore Wind Leasing Round 5 seeks to establish a new floating wind sector in the Celtic Sea off the coasts of South Wales and South West England. It is expected to be the first phase of commercial development in the Celtic Sea, bringing an exciting opportunity to create up to 4.5GW of new renewable energy capacity, while acting as a springboard for new social, economic and environmental opportunities. In its Autumn Statement in November 2023, the UK Government confirmed its intention to unlock space for a further 12GW of capacity in the Celtic Sea.** ”

Decarbonising SMEs in Wales through use of renewable energy provided via the National Grid, though feasible, will require significant financial investment and time. As described earlier (chapter 3) SMEs can make significant steps towards decarbonisation of at least some of their energy use through investment in generation from on-site renewables.

## 7.1 Energy targets

In July 2023 the Minister for Climate Change published a Written Statement with the ‘Publication of Summary of Responses to the Consultation on Wales’ Renewable Energy Targets’: [Written Statement: Publication of Summary of Responses to the Consultation on Wales’ Renewable Energy Targets \(14 July 2023\) | GOV.WALES](#)

This included the following commitments:

“ I am adopting the target for Wales to meet the equivalent of 100% of our annual electricity consumption from renewable sources by 2035, and to continue to keep pace with consumption thereafter. ”

“ Demonstrating our ambition for this sector [community and local renewable energy], we are adopting the proposal for at least 1.5 GW of renewable energy capacity to be locally owned by 2035, scaling up our current target for 1 GW by 2030. ”

“ ... our target ... will be for 580,000 heat pumps to be installed in Wales by 2035, contingent on scaled up support from the UK Government and reductions in the cost of technology. ”

## 7.2 Heat strategy

The draft Heat Strategy for Wales consultation document was published in 2023 and a final copy was published in July 2024. It outlines our vision and approach to decarbonisation of heat in homes, public sector, industries and businesses by 2050, to support the Net Zero Plan. It identifies the key enabling actions to implement in the short to medium term for the long-term transition. This is strategy for the long term reflecting the scale of the challenges and the need for a range of interventions including building confidence and awareness in new technologies, upskilling the labour force and developing supply chains. The transition to low carbon heat is an opportunity to secure our future wellbeing and help build a sustainable low carbon economy. It encompasses all sectors, from low-temperature home heating to high-temperature industrial heat. It recognises that low carbon and affordable heat is not only a technical challenge, but also a human one: [www.gov.wales/heat-strategy-wales](http://www.gov.wales/heat-strategy-wales).

### 7.3 Future energy grids

Electricity and gas are transmitted from the places of production to the places of use via distribution networks – transmission lines and pipes. These networks are very well described by the Energy Networks Association (ENA): [Energy Networks Association \(ENA\) – The voice of the networks.](#)

“ Our energy system is made up of transmission and distribution networks. These are a series of wires and pipes that take energy from its source to where it’s used. In charge of these networks are the energy network operators.

Think of transmission networks as the motorways for electricity and gas. They carry a huge amount of electricity or gas over long distances, just like a super-fast road connecting cities.

Distribution networks are more like the smaller roads in your community. They take electricity and gas from the transmission lines and pipes and bring it to your home, business, or any other place where you use energy. These lines and pipes make sure the electricity and gas gets to where it’s needed locally.

**In a nutshell, transmission networks cover the long journey from where energy is produced to where it’s needed in large quantities, while distribution networks take it the last mile, bringing it right to your doorstep. ”**

National Grid is responsible for the electricity transmission network in Wales: [National Grid – Home](#) and National Gas is responsible for the gas transmission network: [Gas Transmission | National Gas.](#)

Distribution Network Operators (DNOs) are responsible for the delivery of electricity and gas from transmission lines and pipes to SMEs in Wales. They are licensed by Ofgem: [Welcome to Ofgem | Ofgem](#)

Energy Systems Catapult was appointed by the Welsh Government to develop pathways to decarbonise the energy system – [Future Energy Grids for Wales. Future Energy Grid for Wales – Energy Systems Catapult](#)

The future energy grids for Wales project aims to ensure a Net Zero compliant Welsh future energy system pathway to 2050 by consolidating a broad view, across the network companies operating in Wales. The reports also identify the key implications for electricity and gas network operators and the steps needed to develop energy networks in Wales as part of the wider UK energy system. As part of the analysis, the reports develop recommendations for the Welsh Government to take forward, consistent with its ambitions to accelerate decarbonisation and its role in the energy governance landscape.

The Future Energy Grids technical report and insights reports:

[Future energy grids for Wales: reports | GOV.WALES](#)

[Future Energy Grids for Wales: Insights report \(gov.wales\)](#)

Local Area Energy Plans (LAEPs) are collaborative, data driven ways of setting out the changes need in local energy systems to deliver Net Zero.

[Local Area Energy Planning in Wales – Energy Systems Catapult](#)

Energy Systems Catapult was appointed as the technical adviser to local authorities, to assist with the development of LAEP. The development of LAEPs is led by local authorities working with key stakeholders.

## 7.4 SMEs in energy conservation and renewable energy

There is a big opportunity for SMEs in Wales to take advantage of the transition to an economy based on low carbon energy. SMEs will be required to design, manufacture, install, repair, dismantle and recycle renewable energy infrastructure including:

- heat pumps (air and ground source)
- photovoltaic solar panels
- thermal solar panels.

There are also opportunities for SMEs that can:

- improve the fabric of buildings
- install draught excluders
- install light emitting diode (LED) lighting
- install smart meters
- install electric vehicle (EV) charging points
- maintain EVs.

SMEs working in the energy conservation or renewable energy fields have significant opportunities to work on the decarbonisation of businesses and domestic properties. To take advantage of these opportunities SMEs need to be able to recruit or contract people with the requisite skills, training, qualifications and experience.

The Welsh Government has prioritised the promotion of ‘Net Zero Skills’: [Stronger, fairer greener Wales: net zero skills | GOV.WALES](#).

Providing assurance through schemes such as the ‘Go Renewable’:

[www.gorenable.org.uk/Home/About](http://www.gorenable.org.uk/Home/About) is important. Welsh SMEs are encouraged to work with initiatives like this and with organisations such as MCS: [About Us – MCS \(mcscertified.com\)](#) (now independent of Government but previously the Microgeneration Certification Scheme) and the Energy Saving Trust: [Energy Saving Trust](#) to support investment in the transition to renewables with accreditation and high standards of work and equipment.

Ricardo AEA modelled three pathways to Net Zero by 2050, ‘high’, ‘central’ and ‘low’ effort options. The cumulative effects of a high effort approach are summarised below and show, for a range of interventions, the cumulative emissions savings (ktCO<sub>2</sub>e).

## High effort scenario measure cumulative emission savings

	ktCO <sub>2</sub> e				
	2030	2035	2040	2045	2050
Industry reduction measures	131	311	462	778	522
Heat pumps Manufacturing SMEs	51	247	553	946	1,388
Hydrogen Manufacturing SMEs	–	12	245	653	1,061
Direct Electric Manufacturing SMEs	59	324	749	1,310	1,957
Service SMEs reduction measures	121	233	342	449	385
Heat pumps General SMEs	115	564	1,267	2,168	3,183
Electrification General SMEs	21	114	263	459	684
Fuel switching, electric vehicles	1,318	5,699	10,537	15,428	20,361
Transport reduction measures	403	805	1,207	1,609	2,011
Solar PV installations	112	213	311	373	399

## 8

## Manufacturing



The Manufacturing sector is key to the social and economic prosperity of Wales, as well as being part of our national identity and heritage. According to ONS data, there are more than 5,700 companies providing nearly 150,000 jobs, which represents over 10% of the total workforce jobs in Wales. It also contributes 17.3% of our national output (GVA), the highest manufacturing % contribution GVA of any UK region.

The Manufacturing Action Plan (MAP) **‘Manufacturing Future for Wales – Our Journey to Wales 4.0’** was developed via a formal consultation process and was informed by a “Health Check” survey of the sector. The feedback to the consultation and further extensive engagement with stakeholders, which included Trade Unions, Academics and several Industry round table discussions facilitated by the sector’s representative body, Make UK and Industry Wales, which provides the voice of Industry to Welsh Government. MAP sets out the areas where we are focussing our collective efforts, framed against six strategic objectives:

- Address the climate emergency by decarbonising the manufacturing sector in Wales, underpinned by Circular Economy methodology – see chapter 14.

- Develop the conditions to anchor key manufacturing companies in Wales including the provision of modern infrastructure and resilient supply chains.
- Identify and develop the necessary leadership and workforce skills required to achieve ‘Wales 4.0’.
- Strengthen collaboration between stakeholders to embrace technological change and deliver more commercial Innovation at pace.
- Embed ‘Fair Work’ employment principles in Wales, promoting inclusivity, security, and protecting our cultural heritage
- Mobilise business support to equip Welsh manufacturers to meet future demand for products of strategic importance.

Within these six objectives are a range of current and planned activities which will contribute to their overall success. Regarding decarbonisation of the sector:

- We are undertaking supply chain mapping in areas of strategic importance to Wales and which will provide opportunities for Wales based manufacturers in the short, medium and long term. Our initial focus is

around decarbonisation and renewables and includes Fixed and Floating Offshore Wind, the Optimised Retrofit Programme and the provision of Electric Vehicle Charging Infrastructure. The objective is to identify current supply chains and most importantly, potential future supply chains in Wales.

- The Toyota Lean Clusters Programme has supported several companies to improve their performance through the implementation of the principles of the Toyota Way; a Systems Thinking approach. A byproduct of this increased efficiency is a reduction in energy waste and carbon footprint. For example, Rototherm increasing their productivity by 300%, Fitzgerald Plant Services reducing their defects by 77%, Chester Medical reducing their waste by 66% and Seda increasing their daily output by 200,000 units.
- We will continue to work with industry and wider stakeholders to ensure that manufacturing companies are benefiting from

wider support available such as our Flexible Innovation Support Scheme, Circular Economy Fund as well as support from Business Wales and the Development Bank of Wales. This includes the critical role of Industry Wales and Net Zero Industry Wales (NZIW) in aligning support to industry need across energy and carbon intensive industries to help decarbonise industrial processes.

We are using assets like the Advanced Manufacturing Research Centre (AMRC) Cymru which now has 50+ staff working on almost £5m worth of active projects enabling companies to access advanced manufacturing technologies to drive improvements in productivity, performance and quality. Going forward, we are working with Innovate UK as part of our Collaborative Innovation Plan for Wales, to explore how we improve support coordination of our efforts to support innovation across manufacturing in Wales, including the potential role of a National

# 9

## Retail



Manufacturing Institute for Wales.

In March 2022 the Welsh Government published a 'Retail sector: position statement': [Retail sector: position statement \[HTML\] | GOV.WALES](#)

It includes: "The retail sector is the largest private sector employer in Wales, with 114,000 employees and accounting for 6.0% of Welsh GVA, the retail sector already has a direct impact on the lives and livelihoods of people and communities across Wales. Its value extends far beyond economic returns."

The Welsh Government and its partners from the retail sector discuss issues and actions in the Retail Forum. In June 2022 the Retail Forum published its shared vision: [A shared strategic vision for the retail sector \[HTML\] | GOV.WALES](#). This was followed by discussions in the Retail Forum regarding actions to take to realise the vision.

In May 2023 the Welsh Government published the 'retail action plan': [Retail action plan | GOV.WALES](#). The anticipated outcomes include:

- retail sector moves at pace towards achieving net zero with more than 50% of premises in Wales at net zero before 2030; and

- retail supply chains are ethical and responsible and where possible shortened to reduce the sector's global footprint.

The action plan includes the following actions:

- explore options to support small business premises to utilise renewables and decarbonisation initiatives such as:
  - retrofit doors on fridges and freezers to reduce carbon footprint
  - replace lighting to utilise LED lighting
  - install insulation/draught proofing measures to save energy costs.
  - install solar and/or heat pumps (ground or air source) where possible.
  - utilise electric vehicles where possible
- develop resources to raise awareness of renewables and decarbonisation initiatives, including considering a green street project in Wales and a retail park energy generation pilot.
- action owners/contributors – Retail Forum/ Welsh Government – The action plan contains case studies of efforts to decarbonise delivery operations.



# 10

## Food and drink sector



The food and drink sector is very important to the Welsh economy. In 2019 it was estimated that food and drink manufacturing employed more than 24,000 people and had a turnover of more than £5bn. The food and drink supply chain employed nearly 230,000 people, and had a turnover of more than £22bn across; catering, retail and wholesale, agriculture and fishing, manufacturing and packaging.

**Welsh Food and Drink in Numbers | Business Wales – Food and drink (gov.wales)**

Food and Drink Wales produced, in 2021, ‘Doing better business: A sustainability handbook for food and drink companies. [DOING\\_BETTER\\_BUSINESS.v2.pdf \(food-drink.wales\)](#). This refers to interventions including managing energy use through to reducing food waste.

In 2021 Business Wales published a strategic vision for the food and drink industry: **Vision for the Food and Drink industry from 2021 | Business Wales – Food and drink (gov.wales) – 230331 FandD Action Plan\_ENG.pdf (gov.wales)**

Work has been commissioned to obtain better data about the carbon impacts of the food and drink sector.

Please see chapter 18, Biodiversity, for the Deforestation Free Business Toolkit, which helps businesses identify and reduce the risk of food-related tropical deforestation and social impacts in their supply chains.

# 11

## Tourism and hospitality



### Tourism sector

- Visitors in Wales spent £4.7 billion in 2022. £2.4 billion of this was on day visits, £1.9 billion on overnight domestic trips and £0.4 billion from inbound visitors.
- In 2022, tourism industries accounted for 11.8% of employment in Wales – employing 159,000 people.
- Tourism-related industries accounted for 5.1% of GVA in Wales in 2022 (£3.8 billion).

### Wales Visitor Economy Profile: 2021 | GOV.WALES

Sustainability is the heart of our current strategy 'Welcome to Wales'. Published in 2020, the tourism strategy sets out how, in Wales, we want to develop tourism that does good – that is, tourism that supports our communities and cares for and protects our land and that is mutually beneficial to visitors and citizens, providing year-round sustainable jobs in all parts of our country.

This approach to sustainable delivery has a focus around the '3 Ss':

- **Seasonality** – repositioning Wales as a nation you can visit all year round.

- **Spread** – spreading tourism across the nation by introducing people to new places beyond the well-known hotspots.
- **Spend** – increasing spend whilst visitors are here in order to benefit our local economies.

We promote responsible and sustainable tourism in everything that we do – through responsible messaging, promotional activities and capital investment schemes.

### Brilliant Basics

The £5 million fund for 2023–25 is helping to deliver small-scale infrastructure improvements in strategically important tourism locations across Wales. One of the four key areas supported is the development of environmentally sustainable destinations – funding infrastructure improvements to help to reduce a destination's carbon footprint.

This year's scheme was open to local authorities and national park authorities and 29 projects were successful across Wales. They include work on cycle paths and installation of electric vehicle charging points.

## Wales Tourism Investment Fund

We also have a £50 million Wales Tourism Investment Fund, which enables us to finance capital investment in projects that grow the sector and have a positive impact on the Welsh economy.

Every Wales Tourism Investment Fund supported business commits to the Economic Contract. Decarbonisation is one of the four pillars of the Economic Contract – a business must evidence how the project and its operational plans will help reduce their carbon footprint.

These development pledges (e.g. solar panels, biomass boilers, zero waste, EV charging points, use of local suppliers) with achievable milestones are monitored throughout the compliance period.

Tourism and hospitality businesses in Wales can also access wider Business Wales support.

Eligible micro, small and medium businesses in the retail and hospitality sectors were able to access funds through the Future Proofing Fund: [businesswales.gov.wales/future-proofing-fund](https://businesswales.gov.wales/future-proofing-fund).

# 12

## Public sector



Whilst public sector bodies are not SMEs, they interact with many of them and share supply chains. There are many lessons to be learned from efforts that the public sector is making (and has made) to decarbonise its premises and its supply chains.

Welsh Public Sector 2023 Carbon Emissions Report: [www.gov.wales/sites/default/files/publications/2024-06/net-zero-reporting-welsh-public-sector-2023-carbon-emissions.pdf](http://www.gov.wales/sites/default/files/publications/2024-06/net-zero-reporting-welsh-public-sector-2023-carbon-emissions.pdf)

In 2021 the Welsh Government published ‘Net zero carbon status by 2030’. This was a route map for decarbonisation across the Welsh public sector: [Net zero carbon status by 2030: A route map for decarbonisation across the Welsh public sector \(gov.wales\)](http://gov.wales).

It includes the aspirations that:

- all public buildings are supplied with low carbon heat by 2030 and generate their own electricity where feasible; and
- all new cars and light goods vehicles in the public sector fleet are ultra low emission by 2025.

The Welsh Government Energy Service provides technical and procurement support to public sector bodies across a range of topics that include heating, lighting and other energy efficiency and decarbonisation measures, to support the 2030 ambition for a collectively net zero public sector: [Energy Service \(for public sector and community groups\) | GOV.WALES](http://gov.wales).

The Energy Service is supported by Local Partnerships (LP): [Local Partnerships](http://gov.wales).

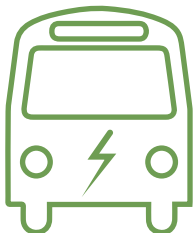
The Wales Funding Programme (WFP) provides low interest loans for energy efficiency and decarbonisation measure in the public sector. Loans can be repaid over 10 years from the energy savings created.

In addition to WFP, local authorities can also use the Low Carbon Heat Grant to install equipment such as heat pumps that currently have limited savings, to pay back a loan.

The Further Education sector in Wales can also use the ‘Digarbon’ low interest loan scheme for a diverse range of decarbonisation measures. These dedicated loans can be repaid over 25 years enabling a longer-term view to be adopted. The range of support available is covered in annual reports: [www.gov.wales/energy-service-annual-reports](http://www.gov.wales/energy-service-annual-reports)

# 13

## Transport



As previously mentioned, 'Transport' is an area of SME activities that has a large carbon impact and efforts to decarbonise transport activities have the potential to make a significant overall contribution to decarbonisation of SMEs and their supply chains.

The movement of goods and people in support of business activities has, in the past, been largely based on fossil fuels. As SMEs and those in their supply chains look to decarbonise transport operations, they can consider electric and hydrogen fuelled vehicles.

### Emissions impact of measures

Measure title	Emission reduction (ktCO <sub>2</sub> e)/year
Transport reduction measures	80.5
Fuel switching, electric vehicles	988.4

The potential emission reduction impacts of reducing transport and switching to electric vehicles amount to almost a million tonnes of CO<sub>2</sub>e/year.

The widespread adoption of these vehicles depends not only on access to affordable vehicles suitable for the requirements of businesses, but also on re-fuelling infrastructure, whether from hydrogen storage or electric vehicle charging points.

In October 2021 the Welsh Government published its Electric Vehicle Charging Strategy, setting out its plans for charging electric cars and vans in Wales: [Electric vehicle charging strategy for Wales: action plan \[HTML\] | GOV.WALES](#)

The strategy aligns with an ambitious vision for vehicle charging in Wales established in 'Llwybr Newydd: a new Wales Transport Strategy': [Llwybr Newydd: the Wales transport strategy 2021 | GOV.WALES](#)

There are electric vehicle charge point grants available to landlords of commercial premises: [Electric vehicle chargepoint and infrastructure grants for landlords: What you can get – GOV.UK \(www.gov.uk\)](#)

The electric vehicle infrastructure grant for staff and fleets is open for applications until March 2025: [Electric vehicle infrastructure grant for staff and fleets – GOV-UK Find a grant \(find-government-grants.service.gov.uk\)](#)

Commercial premises can install charging points for electric vehicles (EVs) in depots and yards. It is also possible to charge EVs on the road adjacent to commercial premises. Businesses interested in doing this should liaise with their local authority regarding laying charging cables across pavements.

# 14

## Resource efficiency and circular economy



There are several ways that SMEs can reduce carbon emissions by using resources more efficiently and reducing waste. These include activities consistent with and promoted by the **Beyond Recycling Circular Economy strategy: Beyond recycling** | GOV.WALES. Wales is the second nation in the world for recycling, just behind Austria. This is down to its businesses and communities.

- Sign up to Business Wales' Green Growth Pledge to better understand how to apply circular economy principles.
- Where practicable, reducing the quantity of resources consumed, including material resources, water and food through waste prevention actions and improved design.
- Using resources with lower embedded carbon where possible, including substituting virgin materials with recycled alternatives.
- Ensuring that any waste produced is re-used or recycled.

Under the **Workplace Recycling Regulations**, all SMEs need to separate their waste for recycling. The aim is to build on the success of household recycling and ensure high recycling rates across workplaces too. The benefits of increasing recycling are that it:

- increases the amount and quality of recycling that can then be used by Welsh manufacturers
- supports workplaces to reduce their waste

- reduces carbon emissions; and
- helps the economy to create a greener Wales.

**Options to increase workplace recycling in Wales: regulatory impact assessment** | GOV.WALES

**Changes to workplace recycling: guidance for workplaces** | GOV.WALES

**Separate Collection of Waste Materials for Recycling: A Code of Practice for Wales** | GOV.WALES

### 14.1 Circular Economy Fund

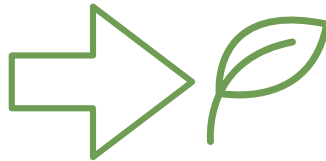
The Welsh Government has invested £10 million in the next round of the Circular Economy Innovation Fund, over 2023/24 and 2024/25:

**Circular Economy Funding | Innovation** (gov.wales)

In line with the Welsh Government's Net Zero Wales and circular economy strategy, Beyond Recycling, this funding will support investment in manufacturing processes to increase the use of recycled and re-used content in products or components, or to extend the lifetime of products and materials. Businesses can apply for up to £200,000 in funding to support this activity, details available via the link.

# 15

## A Just Transition to a net zero economy



A key aim of the Welsh Government is for the decarbonisation of the business sector in Wales to be achieved through a just transition. Delivering a just transition means ensuring that no one is left behind as we move to a cleaner, stronger, fairer Wales.

Our **Just Transition Framework Consultation Document** highlights that achieving a just transition means that we must recognise the technological, social and economic challenges of decarbonisation, and work to identify ways in which we can redress existing inequalities across communities and the Welsh workforce and prevent new ones from forming.

Achieving a just transition recognises the technological, social and economic challenges of decarbonisation, and works to identify ways in which we can redress existing inequalities across communities, businesses and the Welsh workforce and prevent new ones from forming. It also looks at the way for Wales business can have fair access to opportunities presented by the transition.

The Just Transition Framework consultation response is available at: **Just Transition Framework | GOV.WALES**, including a toolkit

which employers can use create strong partnerships with unions, workforce and local communities to help plan the transition and build the knowledge and capacity required. We also aim to work with business support, produce case studies and further guidance to assist business and other stakeholders to help plan for the fair transition to Net Zero.

### **Business and Just Transition**

Effective action on climate change requires transformational change across the economy. This change is already happening and businesses who want to grasp its commercial opportunities need to be able to change. A just transition makes this possible by engaging workers and their unions in the change process. It also ensures a company, its workforce, and local communities have the skills, investments, and capabilities they need for climate and commercial change. Planning for the fair transition to Net Zero can allow businesses to manage and optimise the operational and reputational effects of cutting emissions and increasing resource productivity. See also sections on Net Zero Skills and Social Partnerships and Fair work.

# 16

## Skills and training



In March 2022 a plan for employability and skills was published: [Stronger, fairer, greener Wales: a plan for employability and skills: summary \[HTML\] | GOV.WALES](#).

The Net Zero Skills Action Plan published in February 2023 sets out current net zero skills position in Wales, against the eight emission sectors as identified in Net Zero Wales Plan: [Net zero skills action plan | GOV.WALES](#).

The Net Zero Wales Plan also narrows the definition to gain a common understanding of the jobs and skills that will be required. In this context, the Welsh Government remains committed to upskilling the work-force with net zero skills by investing in people, skills, and talent, to drive Wales towards a greener economy.

The overall approach to skills development is set out in a policy statement published in January 2024: [policy-statement-on-skills.pdf \(gov.wales\)](#).

The summary of responses to the ‘Net Zero Sector Skills consultation which ended on 31 December 2023 can be found at: [Net zero sector skills | GOV.WALES](#). Please refer to [Net zero skills | Sub-topic | GOV.WALES](#) for further updates on actions taken in response to the consultation.

The demand for net zero skills is growing across Wales. These are skills that are needed to help support our journey to Net Zero by 2050. Our economy is changing, and we all need to adapt the way we work to meet these changes – so investing in skills will be a key factor in achieving shared goals.

There are several programmes that offer full or co-funded training and skills support to either a business directly or their employees/those seeking employment – these are set out in: [Net Zero Skills | Business Wales Skills Gateway \(gov.wales\)](#).



# 17

## Social partnership, public procurement and fair work



Fair work and social partnership are essential for achieving successful and sustainable business decarbonisation. Indeed, it is impossible to deliver business decarbonisation without the workforce. As with any significant transition, there is potential for the costs and benefits to be distributed unevenly and for workers to be negatively impacted. By prioritising fair work and by embracing social partnership, we can ensure a more just and inclusive transition as we decarbonise our economy and businesses.

Embedding fair work as part of a just transition will help to safeguard worker well-being, job security, and encourage workforce learning and development, which is essential to the resilience businesses will need. Moreover, engaging workers and trade unions in social partnership and involving them in decisions which impact the workforce will foster higher levels of trust, cooperation and ultimately enable more effective decarbonisation outcomes.

The **Social Partnership and Public Procurement (Wales) Act 2023** includes general duties for Contracting Authorities in Wales to use commercial activity to improve the economic, social, environmental and cultural well being of their areas by carrying out public procurement in a socially responsible way, in accordance with the sustainable development principle.

It introduces specific duties for Contracting Authorities to prepare procurement strategies, to set and publish objectives, and introduces new requirements for “prescribed contracts” (major construction contracts and outsourcing services contracts). In particular, major construction contracts (those with a value over £2m) will need to include clauses to improve economic, social, environmental and cultural wellbeing in the following categories:

- Payments
- Employment
- Compliance
- Training
- Sub-contracting
- Environment.

More specifically, the clauses under the “Environment” category must:

**...require sustainable management of natural resources, use of sustainable materials, resilience to the impact of climate change, reduction of greenhouse gas emissions, and enhancement of the natural environment and biodiversity.**

These clauses must flow through **whole supply chains** for major construction contracts, and Contracting Authorities must ensure that their implementation is **monitored**. In addition to this, the general planning duty mentioned above and the specific requirements for prescribed contracts such as these ensure that there is both a forward look and crucially, **annual reporting** on these objectives.

Welsh Government officials are currently working with the Welsh public sector, social partners and the private sector to establish a set of measures

for this reporting regime that will specifically include **carbon reduction** and **measurement**.

Businesses can access further information on fair work and procurement by clicking on the links below.

[A guide to fair work | GOV.WALES](#)

[Ethical employment in supply chains: code of practice](#)

[Social Partnership and Public Procurement \(Wales\) Act 2023](#)

# 18

## Biodiversity



Protecting and promoting biodiversity are important priorities. There are many threats to biodiversity, including climate change. Through reducing their carbon impacts businesses are making an indirect contribution to protecting biodiversity.

The Welsh Government seeks to promote decarbonisation, improved air quality and biodiversity through the implementation of its economic policies. Climate change is one of the main threats to global biodiversity and therefore efforts to decarbonise the Welsh economy will contribute towards protection of biodiversity.

SMEs can help protect or improve local biodiversity depending upon individual circumstances, by:

- planting wildflowers around premises
- planting trees and shrubs
- creating ponds
- fixing bird and bat boxes to premises
- using ‘bee bricks’ and potentially hosting apiaries.

SMEs can use the procurement of goods and materials and use of supply chains to help support global biodiversity.

Welsh climate change charity Size of Wales (SoW) works overseas with Indigenous Peoples and local forest communities to protect tropical forests, and at home in Wales to help businesses, schools and the public sector reduce their tropical forest footprint in relation to forest-risk commodities. 73% of all tropical deforestation is driven by these commodities, which include beef from South America, soy (used in livestock feed), palm oil, coffee, cacao, timber, paper and pulp. In 2022, SoW produced a **Deforestation Free Business Toolkit** to help businesses identify forest-risks in their supply chains and take steps to reduce their deforestation footprint overseas. This includes a suite of measures, such as supplier engagement, ethical sourcing, reducing consumption and food waste, as well as ethical finances.

[sizeofwales.org.uk/wp-content/uploads/2023/01/SizeOfWales-DeforestationToolkit-English-Jan2023.pdf](https://sizeofwales.org.uk/wp-content/uploads/2023/01/SizeOfWales-DeforestationToolkit-English-Jan2023.pdf)

Sign up here to become a Deforestation Free Business Champion [sizeofwales.org.uk/deforestation-free-business/](https://sizeofwales.org.uk/deforestation-free-business/) to access free expert guidance and advice from the SoW team. You'll be joining a growing movement of socially responsible Welsh businesses who are leading the way in protecting tropical forests, people and nature.

# 19

## Welsh Government support



### 19.1 Business Wales

The Business Wales service recognises and supports the Welsh Government's commitment to net zero and has embedded decarbonisation and climate change considerations into service delivery, so that they are central to discussions with businesses alongside fair work and productivity.

As part of our commitment to Net Zero Wales, Business Wales aims to build strong resilient companies and works with businesses in Wales, particularly SMEs, to incorporate energy efficiency, resource efficiency and new low carbon technologies into their workspaces and manufacturing facilities and develop new ways of working.

Business Wales offers a wide range of advice and support on green policies, practices and resource efficiency as well as workshops. Support includes advice to businesses on longer term change together, awareness of financial support to decarbonise along with advice in dealing with the economic impacts of the energy crisis and the future impacts on the environment and climate change.

Decarbonisation and net zero advice, information and signposting is delivered to new

start-up businesses and existing businesses to help them improve practices and seize new opportunities for growth. Support is available for businesses through a combination of online, telephone, 1-2-many and 1-2-1 business support which is tailored according to client need and can be accessed digitally via [businesswales.gov.wales](https://businesswales.gov.wales), social media channels and the 03000 6 03000 helpline.

Business Wales digital channels play a key role in providing information on sources of support and actions businesses require to address the impact of new policy or legislative changes, at Wales or UK level. On-demand digital resources are available on the [Business Wales website](#) and the Business Online Support System ([BOSS](#)). The Business Wales website and social media channels regularly share messaging and publish a range of content regarding resource efficiency and climate change including events, funding and business support advice.

To access advisory support a diagnostic approach is used to establish the appropriate support for each business. This includes using specific tools to measure the existing business and report on changes, general advice and advisor support, as well as the wider ecosystem to make use of the expertise in decarbonisation

sector. In addition, dedicated and specialist relationship management is available for eligible clients. One-to-one advice includes energy efficiency, waste management, pollution prevention, legal issues and permits, environmental management systems and sources of funding.

Specialist **Decarbonisation** Advisers provide knowledge and expertise aligned with incorporating energy and resource efficiency and new low carbon technologies. They support businesses to adopt or improve environmental strategies, and work with businesses towards creating a resource efficient and resilient business. Advisers provide a range of advice such as using fewer raw materials to reduce the risk of material scarcity, driving innovation and resilience, and helping businesses reach new markets. They also help businesses consider efficient ways of working and long-term change to implement into their businesses.

Advisers can advise on legal considerations and potential finance or support initiatives that enable decarbonisation's investment. They also raise awareness of any new regulations that may impact businesses and work with specialist skills advisers as part of Net Zero Skills. Business Wales advisers work with circa 1,400 businesses per annum to introduce or improve carbon reduction policies and practices.

The **Green Growth Pledge** is an important part of the specialist sustainability support available through Business Wales and is open to all Welsh SMEs regardless of their industry sector. It provides a practical way for businesses to demonstrate their positive impact on the people and places around them and join a growing community of forward-thinking organisations. By signing the Green Growth Pledge each business makes a commitment to one or more actions to help them reduce impact or ensure

sustainable performance. Businesses also gain access to a marketing toolkit specifically designed to provide practical information, guides and logos to help promote the actions they have taken to decarbonise and become more sustainable.

Advisers work with high growth businesses to complete a carbon calculator to benchmark current activity and enable businesses to create carbon reduction plans and take the necessary actions to measure and reduce their carbon footprint. Alongside the Economic Contract for relationship managed SMEs, advisers support businesses to sign-up to the Green Growth Pledge, which helps business realise the financial, environmental, and societal benefits of operating more efficiently, taking practical steps to reduce and reuse, source responsible suppliers, innovate and win more business.

Specialist decarbonisation support is available for high growth businesses as part of the Business Wales Accelerated Growth Programme. This includes the Net Zero Accelerator which is a hybrid business support programme that fuses emission reduction and innovation/marketing and features a blend of account management, specialist 1-2-1 support and group events. The programme supports businesses to baseline and reduce their current emissions, provides emission reduction and business growth support, as well as achieving accreditation.

A **Business Wales Green Ambition campaign** helps businesses to improve their knowledge and understanding of resource efficiency. The campaign encourages businesses to take action to mitigate their impact on climate change and supports the Welsh Government ambition towards net zero economy. The campaign provides easy to access to digital content and interactive online events including expert sessions.

A '**Resource Efficiency and Carbon Accounting Guide**' is also available on the Business Wales website. The guide introduces SMEs to resource efficiency and carbon accounting, provides information on a range of resources available to support becoming an environmentally conscious business and save money. The information supports businesses to measure and monitor resource usage, measure carbon emissions and action planning.

A **cost of doing business zone** on the Business Wales website brings together existing content and tools available to support businesses to reduce their use of resources and costs. This zone acts as the focal point for any future advice and support for businesses.

The Business Wales website also has a **business finance zone** offering specialised guidance and information to help people identify appropriate finance as well as a finance locator.

# 20

## Financial



### 20.1 Non-domestic rates

Non-domestic rates (NDR), also known as business rates, are a local tax to help pay for local services. These are charges on most non-domestic properties.

The Welsh Government has delivered new measures to support the use of renewable energy in non-domestic properties. These include an exception from rating assessments for the properties they are part of, for plant and machinery used in onsite renewable energy and electric vehicle charging points. The types of renewable technology excepted from valuations include those used for the generation, storage or transmission of power from biomass, biofuels, solar, water, wind and geothermal sources. *The Valuation for Rating (Plant and Machinery) (Wales) (Amendment) Regulations 2023*, which underpin the changes, came into force on 1 April 2024. The Valuation Office Agency is responsible for implementation of the changes.

From 1 April 2024, the Welsh Government is also providing Heat Networks Relief. The relief is intended to support the development and growth of this sector that is anticipated over the next decade, by helping to minimise the financial

barriers to the establishment of networks. This, in turn, is intended to help support the transition away from the use of fossil fuels and the decarbonisation of heat. Heat networks supply thermal energy from a central source to consumers, through a network of pipes. The Welsh Government is providing full (100%) relief to non-domestic hereditaments used wholly or mainly as a heat network providing thermal energy generated from low-carbon sources. The qualifying conditions are explained in more detail in the guidance, on our [Business Wales webpages](#).

A range of other non-domestic rates support is available, including relief for small businesses and charities. Further information is also available on our [Business Wales webpages](#).

### 20.2 Development Bank of Wales – Decarbonisation overview

The Development Bank of Wales is a development bank owned by the Welsh Government and it offers a portfolio of funds to help Welsh businesses get the finance they need to start up, strengthen and grow – including for decarbonisation projects. It can provide loans from £1k up to £10m, as well

as mezzanine, and equity funding; and helps businesses find the right finance partner to leverage in private finance with its own gap finance when necessary.

The Development Bank of Wales is remitted by Welsh Ministers to have Decarbonisation as a policy priority as the bank supports businesses transition towards net zero.

The Remit letter makes clear the expectation that the bank will be an active partner in developing the low carbon economy in Wales and directs it to not only respond to market demands but to go beyond this and develop approaches which embed net zero credentials in decision-making processes.

The Development Bank of Wales is exploring the potential to assist businesses wanting to invest in decarbonisation infrastructure, including renewables [Business Finance For Companies In Wales – Dev Bank \(developmentbank.wales\)](#).

The bank's Corporate Plan 2022-27 demonstrates how it responded to the Remit and sets out how it will support Welsh Government's Decarbonisation agenda.

[DBW Corporate Plan 2022–27.](#)

### 20.3 Development Bank of Wales – Green Business Loan Scheme

To assist business transition to net zero, the Development Bank of Wales operates an 'invest to save' offer called the Green Business Loans Scheme, which opened on 1st February 2023.

The Scheme offers flexible repayment terms, attractive interest rates and other support such as help towards consultancy costs to ensure businesses are confident the technologies and solutions being adopted are right for them.

Demand for the Scheme is stronger than initially anticipated. One purpose of the pilot scheme is to help understand the nature of demand for 'green' loans of this nature.

This pilot scheme provides Green Business Loans, which will enable businesses in Wales to borrow money at discounted rates and on flexible repayment terms, so they can invest in measures to reduce not only their carbon footprint but also their energy bills.

Alongside the loan offer, Business Wales will provide specific consultancy on decarbonisation to businesses.

'Green Business Loans' are between £1k and £1.5m (although larger projects may be considered on a case-by-case basis). Through the Green Business Loan Scheme, the bank will offer patient capital with up to 15-year repayment terms, linked to the payback on the project. The DBW scheme is not there to corner, but rather to complement the market and help those businesses who cannot get access to the finance they need from mainstream lenders.

Projects which could be supported by the loans include:

- investing in renewable energy technology such as solar panels
- improving the fabric of premises and energy efficiencies within the building
- upgrading systems or machinery to reduce energy use
- water usage and waste reduction/improvements.

The bank has a dedicated decarbonisation section on its website, which includes case study examples:

[Green Business Loan Scheme – Dev Bank \(developmentbank.wales\)](#)



Additional case study examples of the bank supporting businesses to decarbonise via the Green Business Loan Scheme and its other funds are:

**On the road to net zero with Jaga Brothers – Dev Bank ([developmentbank.wales](https://developmentbank.wales))**

**Frog Bikes to reduce carbon emissions with a £150,000 investment in the use of recycled aluminium – Dev Bank ([developmentbank.wales](https://developmentbank.wales))**

**Mid-Wales general store cuts energy use thanks to Development Bank of Wales help – Dev Bank**

## 20.4 Economy Futures Fund (EFF)

The Economy Futures Fund (EFF) is a single consolidated fund for business investment in Wales. Eligible investments must meet the objectives of the Economic Contract and at least one of the calls to action.

There are five calls to action, as described in *This is Business: This is Wales*:

- Research and development, automation and digitalisation.
- High quality employment, skills development and fair work.
- Exports and trade.
- Innovation, entrepreneurship and headquarters.
- Decarbonisation.

**[This is Business. | Trade and Investment | Wales \(tradeandinvest.wales\)](https://tradeandinvest.wales)**

## 20.5 Future Proofing Fund

Eligible micro, small and medium businesses in the retail, hospitality and leisure sectors were able to access funds through the Future Proofing Fund. The fund provided:

- a match-funded grant for capital funding between £5,000–£10,000, no revenue costs will be eligible for funding
- the grant is to be used entirely during the financial year 2024–2025
- the grant is to be invested in measures to future proof the business.

Successful applicants were notified by 31 August 2024:

**[businesswales.gov.wales/future-proofing-fund](https://businesswales.gov.wales/future-proofing-fund)**

## 20.6 SMART Flexible Innovation Support Programme

This is a £20 million programme to invest in new cutting-edge research and innovation that will improve people's lives. It supports organisations to innovate and will help create new products and services, improve skills, helping to develop research development and innovation (RDandI) capability and capacity to support sustainable growth.

**[New £30 million funds launched to boost innovation in Wales | GOV.WALES](https://gov.wales)**

The programme supports the measures in the innovation strategy: **[Innovation strategy for Wales | GOV.WALES](https://gov.wales)**

## 20.7 Innovate UK

Innovate UK is the UK's innovation agency [Innovate UK – UKRI](#) and is part of UK Research and Innovation UKRI, a non-departmental public body sponsored by the Department for Science, Innovation and Technology (DSIT):

[Our organisation – UKRI.](#)

Innovate UK supports businesses taking new approaches to achieving net zero emissions in energy systems, agriculture and food production, transport, buildings, manufacturing and material use, services, and many other areas.

SMEs involved in research and innovation may be able to access support, including investment: [Opportunities – UKRI.](#)

## 20.8 British Business Bank

The British Business Bank is a business development bank dedicated to supporting the creation, development and growth of businesses. It is owned by the UK Government's Department for Business and Trade and offers a range of financial support, including business start-up loans.

[Homepage – British Business Bank \(british-business-bank.co.uk\)](#)

## 20.9 UK Finance

UK Finance represents businesses in the UK financial services sector, including banks and building societies and the finance arms of other organisations: [Homepage | UK Finance.](#)

It recognises both the importance of SMEs to the economy and the need to transition to Net Zero.

UK Finance published 'Unlocking the SME Net Zero Transition' in May 2024:

[UK Finance SME sustainability report\\_0.pdf.](#)

This report considers opportunities and barriers for SMEs wanting to improve environmental performance.

There is unquestionably an opportunity for SMEs to reduce financial costs and carbon impacts through the right investment in energy saving and renewable energy generation. The finance sector is investing in these approaches and SMEs should discuss opportunities to fund such investments with their banks and other financiers.

# 21

## Procurement



The process of procuring goods and services is an opportunity to promote carbon reduction and other sustainable outcomes, including investment in local supply chains. The potential to promote sustainability through SMEs is explained by the World Economic Forum (WEF): **How harnessing power of SMEs can shape the future of sustainability | World Economic Forum (weforum.org)**

SMEs can, through selection of contractors and the terms for the delivery of goods and services, favour contractors and providers who are providing reduced carbon impact options and shorter supply chain opportunities.

Public sector procurements are opportunities for Welsh SMEs (individually or in consortia) to bid for contracts to deliver goods and services in line with the decarbonisation agenda and the shortening of supply chains.

The **Social Partnership and Public Procurement (Wales) Act 2023 Social Partnership and Public Procurement (Wales) Act | GOV.WALES** (see Chapter 17) aligns with the Welsh Government objective of promoting community benefit through socially responsible procurement. The Community Benefits approach

is a way of incorporating social requirements into procurement to benefit the communities in the areas in which contracts are delivered. It has been the Welsh Government's key mechanism for creating jobs and training through procurement.

The following procurement guidance is being offered specifically to Welsh public sector bodies to help them meet the 2030 target for a net zero public sector in Wales.

- **Wales Procurement Policy Statement** (Welsh Government 2021)
- **WPPN 01/23: Procurement – sustainable risk assessments**
- **WPPN 01/23: Procurement – sustainable risk assessments**
- **WPPN 01/23: Procurement – sustainable risk assessments**

# 22

## Stakeholders



This Brochure seeks to fulfil different purposes for different audiences. The strategic context will be of interest to legislators and civil servants and setting it out addresses one of the recommendations made by the Climate Change Committee in its June 2023 ‘Progress Report: Reducing emissions in Wales’, **Progress Report: Reducing emissions in Wales – Climate Change Committee ([theccc.org.uk](https://www.theccc.org.uk))**.

The data presented, from the Ricardo AEA research report, provides important empirical evidence about the business sector in Wales, which will be important to Welsh Government officials to develop better understanding of the sources of carbon emissions and the costs and benefits of options to reduce them.

The links to support – technical and financial – for SMEs will be useful for managers of businesses who want to better understand their roles in reducing carbon emissions and contributing, through a Just Transition, to a greener, more sustainable economy.

Developing the Brochure has been assisted by officials across Welsh Government. It has also benefitted from a series of stakeholder workshops facilitated by Ricardo AEA. Sincere thanks to those who engaged with the workshops, including:

- MAKE UK  
**The Manufacturers’ Organisation | Make UK**
- Industry Wales
- Confederation of British Industry Wales  
**(CBI Wales): CBI | Confederation of British Industry | CBI**
- Federation of Small Businesses (FSB)  
**[www.fsb.org.uk/](https://www.fsb.org.uk/)**
- Development Bank of Wales (DBW)  
**[developmentbank.wales/](https://developmentbank.wales/)**
- Net Zero Industry Wales also provided suggestions regarding a summary document for the brochure.