



UK Government

UK Government Response to the Willow Review Recommendations for Government

December 2025

Contents

Foreword	3
The Willow Review	5
The opportunity and challenge of sustainability for SMEs	7
Government's actions and support on sustainability	9
In this response	12
Government Actions	14
Recommendation 1: Local Sustainability Champions	16
Recommendation 2: Reframe Sustainability Messaging	17
Recommendation 3: Campaign to enhance uptake of existing resources	18
Recommendation 4: Support SME Transition	19
Recommendation 5: Improve Access to Finance	20
Recommendation 6: Expand the Growth Guarantee Scheme to Include Green Initiatives	21
Recommendation 7: Drive Forward Fiscal Incentives for SME Sustainability	21
Recommendation 8: Integrate Sustainability into the Core Offering of the Business Growth Service	22
Conclusion	22

Foreword



Foreword



Minister McDougall
Small Business Minister,
Department for
Business and Trade



Minister McDonald
Industry Minister,
Department for Energy
Security and Net Zero
and Department for
Business and Trade

There's a common misconception that sustainability is the preserve of corporate giants, because they've got the time, people and resources to commit to such efforts. Large companies rightly promote how they're reducing their carbon footprint, how they're cutting waste, and how they're becoming more efficient – which is good for customers, employees and investors alike.

But actually, as the Willow Review has clearly shown, it's small businesses – the backbone of our economy – who stand to benefit the most from investing in sustainability.

It's no different to spending money on your workforce, on R&D, or on advertising. There's a clear return on investment.

The Willow Review has found that 67% of SMEs who invest in sustainability measures go on to report reduced operational costs – that's less money being spent on energy, waste and materials.

And we know sustainability is popular amongst consumers as well. The majority of SMEs say they attract new customers thanks to their sustainability commitments.

Prioritising sustainability is not just good for the planet; it's good for business, and that means it's good for growth.

That's why the Government has made net zero and sustainability key parts of our growth mission.

We're investing in the Broadway Initiative, for example, to support and promote the UK Business Climate Hub. It provides information and advice to help SMEs decarbonise and reduce their energy bills at the same time.

Then there's our Zero Carbon Services Hospitality trial. It's supporting no fewer than 600 small hospitality businesses by giving them free energy usage and carbon reduction assessments. That's going to deliver savings of over £3 million for businesses while preventing 2,700 tonnes of

carbon pollution over a year – the equivalent of about 270 return flights from London to New York.

And we're overseeing the roll out of smart meters to small businesses across Great Britain. They are helping millions of consumers manage their energy use so that they can improve their efficiency and save money on bills, and giving consumers access to flexible tariffs. All while eliminating the need for manual meter readings and estimated bills.

So, we're making good progress, but we recognise that there's more to do.

To that end, the Willow Review makes a series of recommendations for government across eight key areas.

In this document, we look at each recommendation in turn.

We set out the actions we're taking and the additional steps we hope to take in the future. For example, our Made Smarter Adoption programme is already helping small businesses to increase their productivity through adopting new technologies. And this year we are increasing our funding of that programme by £2m to help even more businesses boost their energy efficiency, make processes more efficient, cut waste and take their first steps in decarbonisation.

We hope it's clear from these responses that this government is serious about sustainability. We're serious about pursuing the right policies at the right time which lead to the right outcomes for businesses and our environment.

We're committed to working with the Willow Review team and our other trusted partners including the Net Zero Council and the UK Business Climate Hub as we take this important work forward.

Together, we will ensure that Britain's SMEs are stronger, more sustainable and ultimately, more successful too.

The Willow Review



The Willow Review



1

The Willow Review, an independent, Government-backed review co-chaired by the Minister for Small Business and led by Small Business Britain and Barclays, was published in June 2025. It was established to demonstrate the financial benefits of sustainability for SMEs, using real-world data and case studies to showcase how businesses are reducing costs, growing revenue, and opening up new market opportunities through green initiatives.

2

Underlining the financial benefits of sustainability, the Review is a timely and thoughtful exploration of how sustainability can be a driver of growth, resilience, and competitiveness for the UK's small and medium-sized enterprises (SMEs). It highlights the vital role SMEs play in the UK economy—accounting for 99% of businesses, over 60% of private sector employment and 51% of private sector turnover.

3

The Willow Review aligns with two of the Missions in government's Plan for Change: Kickstarting Economic Growth and Making Britain a Clean Energy Superpower. It demonstrates that net zero is the economic and industrial opportunity of the 21st century – essential to driving growth and creating good jobs for SMEs.

4

Government published the Small Business Plan, Backing your Business, in July 2025, with the most comprehensive package of support for small and medium sized businesses in a generation. SMEs are the beating heart of our growth mission and the backbone of our economy, and the Small Business Plan is aimed at unleashing their full potential.

5

Government's Mission to Make Britain a Clean Energy Superpower seeks to unlock the benefits of the net zero transition. Government published its Carbon Budget and Growth Delivery Plan in October 2025, setting out how the UK will continue to reduce emissions in a way that lowers bills, secures good jobs and provides energy security.¹ The government is pursuing policies which deliver tangible improvements to the everyday lives of working people, harnessing clean energy technologies to cut bills and deliver warmer homes.

¹ Carbon budget and growth delivery plan - GOV.UK

The Opportunity and Challenge of Sustainability for SMEs

The Opportunity and Challenge of Sustainability for SMEs

Government's ambitions are reflected in the Willow Review which makes clear that sustainability is increasingly central to business success – indeed, that sustainability is fast becoming a core part of doing business well and presents a significant commercial opportunity. The SMEs adopting sustainable practices who were surveyed for the report are already seeing tangible financial benefits: 67% reported reduced operational costs, 35% saw increased customer loyalty and 53% found access to new customers². The Review showed how, from rural distilleries installing solar panels to inner-city retailers reducing waste and rethinking packaging, small businesses across the UK are finding creative, practical ways to embed sustainability, and they are reaping the rewards.

The Willow Review also demonstrates the power of bringing together government, the private sector and the voice of small businesses. To tackle the challenges businesses face on sustainability, including access to green finance, costs of energy, and access to reliable advice and guidance, we need to drive change together. We look forward to working across government, with SME networks, local delivery partners and with our colleagues in the Willow Review to take forward work to address the recommendations in the report and increase the uptake of sustainable measures amongst SMEs.

Alongside the economic opportunities, the government recognises the varied and numerous challenges facing SMEs, including high energy prices, inflationary pressures, constrained access to finance, and a low uptake of debt as a form of financing. And whilst the benefits are real, the journey to realise them is not always simple. We are committed to supporting SMEs through this complex transition, recognising that there are multiple opportunities for growth and reducing energy bills as well as potential risks and associated costs.

Indeed, many SMEs will already be taking action to reduce their energy bills, sometimes without realising it, by switching to LED lighting or upgrading to more energy efficient equipment. Energy audits and smart metering can be helpful in identifying opportunities to make savings. Shifting awareness in individuals and employees could lead to significant change in this area; low-cost behavioural changes – like staff training or process adjustments – can yield quick returns, especially in less energy-intensive sectors.

Despite the benefits of action, structural issues remain, such as the immaturity of the second-hand market for green assets, the complexity of navigating sustainability-related information and support and the lack of control many SMEs will have in rented buildings. We must tackle these barriers together – across government, the private sector, supply chains, trade bodies and most importantly SMEs themselves – if we are to unlock the full potential of SMEs in accessing the economic benefits of sustainability.

The Willow Review's findings are similar to those identified by other recent reports. The BBB's SMEs and Net Zero³, and the UK Net Zero Business Census Report⁴ found that while most SMEs recognise at least one benefit to their organisation from taking climate action and have taken at least one action already, a majority perceive barriers to progress and are not prioritising net zero. The FSB's New Growth, How to Support Small Businesses to Cut Carbon and Costs on the Road to Net Zero⁵ found that 64% of SMEs believe sustainability should be a high priority for government and many have taken some action, but 61% felt they did not have the appropriate attributes to do more, with 38% noting a lack of capital.

2 Research conducted as part of The Willow Review - Final Report

3 SMEs and Net Zero report 2025 | British Business Bank

4 Business Census Report

5 Policy Report | New Growth

Government's Actions and Support on Sustainability

Government's Actions and Support on Sustainability

Government is acting on these findings. As outlined in 'Backing Your Business: our plan for SMEs'⁶ and the Carbon Budget and Growth Delivery Plan, growth, innovation and sustainability can go hand-in-hand. Accelerating SME growth by just 1 percentage point a year could deliver £320 billion to the UK economy by 2030⁷, and unlocking the benefits and opportunities of the net zero transition could play a significant part in this.

Supporting businesses to adapt to climate change is also key to reducing costs for businesses, and we take a broader holistic approach to climate change, one that brings together both sustainability and risk management as well as opportunities to adapt to a changing climate. We believe strongly that there is an important overlap between mitigation tactics (such as our net zero goals and sustainability efforts), and the opportunities available for climate adaptation (which can include diversification into new areas, or taking on new supply chain partners as the climate around us changes).

We are already taking action to help small businesses enjoy the benefits that sustainability presents. This includes:

- a. launching the new **Business Growth Service** - a nationally recognised brand for business support in the UK, both online and integrated with locally led delivery. The Business Growth Service will bring a range of existing core business support services together and make it easier and quicker for businesses across the UK to get the help, support and advice they need to start, scale and succeed in a sustainable manner.
- b. supporting provision of local **Growth Hubs** across England in partnership with Local Authorities, providing tailored advice and services for local businesses making it simpler to find the right support at the right time.

These Growth Hubs are the local delivery partners for the Business Growth Service and work closely with local and national support providers for SMEs. Many of them already provide sustainability support as part of their core offering.

- c. funding and working with the Broadway Initiative (BI) to continue to support and promote the **UK Business Climate Hub**, which provides information and advice to support SMEs to decarbonise and reduce their energy bills.⁸ We are working with BI to improve their offer to SMEs and increase usage of the site, as well as to support the Hub's integration with the Business Growth Service, streamlining SME's access to advice on how decarbonisation can support their business growth.
- d. working with the British Business Bank to improve **access to green finance**, such as by exploring Start-up Loans or other "green" finance options.
- e. collaborating with the **Net Zero Council**, government's main stakeholder forum on cross-economy net zero issues, to support SMEs to reap the benefits of the transition. The Council is chaired by the Secretary of State for Energy Security and Net Zero and the Co-operative Group's CEO, Shirine Khoury-Haq, with membership from the private sector, civil society, local government and trade unions. The Council's SME workstream is driving action to improve and amplify information and advice, provide clarity on SMEs' roles in sectors' transition plans, consider a common emissions reporting standard for SMEs and address other common challenges.
- f. piloting the **Business Energy Advice Service (BEAS)**, designed to help businesses save money and drive growth by providing free energy assessments and 50% match-funded

6 Backing your business: our plan for small and medium sized businesses

7 DBT analysis of ONS, Firm-Level Labour Productivity from the Annual Business Survey, 2024

8 UK Business Climate Hub - find advice on energy saving and net zero for SMEs

grants. This should deliver 3,850 audits to SMEs in the West Midlands and invest £10 million in grants for energy reduction technologies.

- g. supporting the **Zero Carbon Services Hospitality trial** which will support over 600 hospitality SMEs with free energy usage and carbon reduction assessments, advice and guidance. The trial running until March 2026 is estimated to result in savings of over £3 million and 2,700 tonnes of carbon over a year.

h. overseeing the roll out of smart meters to small businesses across Great Britain.

Smart meters automatically send regular and accurate meter readings to energy suppliers, eliminating manual meter reading and estimated bills. At the end of Q3 2025 64% of smaller non-domestic sites had smart meters installed⁹. Since October 2024 energy suppliers must provide all small organisations with smart meters with free and regular information on their energy use to help them monitor consumption and reduce costs. Government is also consulting on a new policy framework to drive the smart meter rollout to small businesses and public sector sites post-2025.

- i. launching a review in the Trade Strategy that will look into the UK's approach to responsible business conduct. It will assess the effectiveness of the UK's current regime and alternative measures in addressing a range of supply chain harms, including human rights abuses, labour rights abuses and environmental harms. Critically, consideration will be given to how these measures promote sustainable supply chains and best support businesses, including SMEs, to implement responsible practices.

However, we recognise that government cannot act alone. The private sector has a critical role to play in supporting SMEs—whether through supply chain collaboration, knowledge sharing, or the development of innovative finance products. We also acknowledge the importance of building on existing initiatives and networks, rather than duplicating efforts, and of crowding in additional support from across the ecosystem. Ensuring that all these different elements are joined up, and that stakeholders across the piece can actively pursue synergies, is a priority when it comes to implementation of our actions on the back of this response. That's why we relaunched the Net Zero Council and continue to work closely with the private sector and through similar forums such as the Council for Sustainable Business.

In this Response



In this Response

The Willow Review makes a series of recommendations for government across eight key areas, including improving access to finance, reframing sustainability messaging, and integrating sustainability into the Business Growth Service. In this document, we are setting out Government's responses to these recommendations, as well as other actions we are proposing in line with the principles of the Willow Review.

Several of the recommendations made by the Willow Review may require further work to ensure the best policy solutions are identified. Government welcomes continued engagement with the Willow Review team and other stakeholders as we take this forward, working closely with the Net Zero Council, UK Business Climate Hub, and other partners to take tangible action.

Policies around business support, energy security and net zero exist both within areas reserved to the UK government and within areas devolved to the Devolved Governments of Wales, Scotland and Northern Ireland. This is a response on behalf of the UK government – so whilst some of our actions may apply to the UK as a whole, some support may be delivered on a local level, which will differ both between devolved governments as well as between regions in England, Wales, Scotland and Northern Ireland.

Overview of Recommendations to Government in the Willow Review

1. **Local Sustainability Champions** — Assign sustainability champions at the council level to provide tailored support to SMEs, linking to local funding.
2. **Reframe Sustainability Messaging** — Focus on growth, competitiveness, and profitability rather than compliance to better engage SMEs.
3. **Campaign to Enhance Uptake of Existing Resources** — Develop ways to enhance uptake of existing resources such as UK Business Climate Hub.
4. **Support SME Transition** through engaging landlords to facilitate SME energy usage transition.
5. **Improve Access to Finance** — Improve visibility and accessibility of existing sustainability grants by simplifying application processes and enhancing signposting; British Business Bank should also consider adapting existing initiatives such as Start-Up Loans with Green-Up Loans to support transition.
6. **Expand the Growth Guarantee Scheme to Include Green Initiatives** — Consider expanding existing government guarantee schemes to enable access to green finance for SMEs, to incentivise larger-scale sustainability investments. The British Business Bank has launched a pilot to support this type of lending and, using insights from the pilot, should develop the proposition further with the aim of announcing a permanent Green Guarantee Scheme by the end of 2025.
7. **Drive Forward Fiscal Incentives for SME Sustainability** — Work collaboratively to develop a set of recommendations by the end of the year focused on improving fiscal incentives for small businesses. This will include but is not limited to: simplifying existing schemes and boosting awareness and accessibility.
8. **Integrate Sustainability into the Core Offering of the Business Growth Service** — ensuring that SMEs receive clear, consistent, and practical support for their sustainability transitions.

Government Actions



Government Actions

Action	Recommendation	Indicative Timeline
We propose to map out support provided at the local level across different sectors. We will utilise existing forums to share best practice and work with the Growth Hub network to increase the uptake of sustainability support and encourage forums to share best practice.	1	Ongoing
We propose to work with key stakeholders to develop a clear narrative on the benefits and opportunities for SMEs.	2	Spring 2026
We will provide £200,000 this financial year to support work to update the UKBCH. Updates to the website are expected to be made by March 2026.	2	March 2026
We will continue to roll out the new Business Growth Service - a nationally-recognised brand for business support in the UK, integrated with locally led delivery – and have already integrated this with the UK Business Climate Hub (ahead of our end-of year-deadline).	2, 3, 8	December 2025
We aim to test various options for marketing key messages to businesses, possibly including digital campaigns, newsletters and Ministerial events, to connect businesses with available support and advice. This will include amplifying sustainability support and disseminating key messages on the benefits and opportunities of net zero to SMEs.	3	February 2026
We propose to explore options and develop advice to be included in advisor toolkits deployed by Local Growth Hubs. We will also explore how best to support peer-to-peer learning opportunities at the local level, utilising existing forums and networks.	3	2026
We will create and publish new DBT guidance on climate adaptation, circular economy and net zero, tailored to SMEs at different stages of the business growth journey. This will be launched on the Business Growth Service and disseminated through close work with local Growth Hubs, local authorities and the UK Business Climate Hub.	2, 3	December 2025
We will engage with the Better Buildings Partnership to understand how we might support the use of their Green Lease Toolkit.	4	Ongoing – to spring 2026
We will work to improve Private Rented Sector minimum energy efficiency standard regulations to unlock energy efficiency potential in properties.	4	Ongoing
Government is also providing an additional £2 million for DBT's Made Smarter Adoption Programme to enable manufacturing SMEs to access funding for digital technology which can enhance their productivity and efficiency.	5	March 2026
We will work with British Business Bank to improve access to green finance, using their Green Growth Guarantee Scheme pilot to build an evidence base for more attractive lending to SMEs.	6	Ongoing
We will work with relevant stakeholders to understand in more detail the financing options available to SMEs, their approach to taking on debt, and any barriers they face.	5	Ongoing
We will complete the Business Energy Advice Service (BEAS), a pilot programme designed to help businesses save money and drive growth by providing free energy assessments and 50% match-funded grants. BEAS is part of a broader government initiative aimed at reducing carbon emissions nationwide. We will evaluate the scheme and ensure that any learnings are shared and can inform future policy development.	5, 1	Ongoing
Government proposes to take forward a joint action with stakeholders including the Net Zero Council and its SME Working Group to review the barriers identified in the report. It is important that we fully understand the financial challenges SMEs face in investing in energy efficiency measures and how government can better enable SMEs to benefit from existing fiscal incentives.	7	Ongoing

Recommendation 1: Local Sustainability Champions



Government recognises the essential role that local places play in accelerating to net zero, driving growth and supercharging our mission to deliver clean power by 2030, including through their role in supporting SMEs to decarbonise. Local government has autonomy and flexibility in how it plans to achieve net zero targets, based on the varying needs and opportunities of each local area (e.g. Cornwall Good Growth Plan¹⁰, Test Valley Net Zero Innovation Group¹¹).

Northern Ireland, Scotland and Wales are in charge of their own programmes for SME sustainability support. In England support is mainly provided through Growth Hubs and Mayoral Strategic Authorities. Whilst many will have their own programmes, support is patchy. To improve this, we will:

Map out support provided at a local level, across different sectors. Through our work with the UK Business Climate Hub we will consider how to identify good online support to ensure SMEs can use the best tools on offer.

Explore options for promoting best practice, increasing uptake of support and establishing more connected local network, working closely with Growth Hubs. This will build on findings from our pilot Business Energy Advice Scheme currently running in the West Midlands.

Ensure information and advice on sustainability is woven into wider business support provision (such as through the Business Growth Service at a national level, and locally through Growth Hubs) so SMEs can better understand the clear link between sustainability and wider growth opportunities.

DESNZ are also engaging regularly with local government on a range of net zero issues including through the Local Net Zero Delivery Group, Mayoral Roundtables and the Circular Economy Taskforce. Great British Energy will support local government by enhancing funding and strategic support for local and community energy projects across the UK, working with Local Authorities, Combined Authorities and Mayoral Strategic Authorities. We will also be working closely with local government, local leaders and other key stakeholders to develop and deliver the Warm Homes Plan.

DESNZ also offers guidance and support for Mayoral Strategic Authorities (MSAs) to develop Local Growth Plans, which provide a long-term 10-year strategic framework for economic growth in their region. These plans identify strategic investment sites including in Clean Energy Industries. This is particularly important to attract private investment in key places such as Industrial Strategy Zones. Government guidance explicitly encourages MSAs to engage with businesses and other local and regional stakeholders when developing Local Growth Plans, to ensure that the plans properly identify and address local needs and opportunities.

10 Cornwall Good Growth Plan

11 Test Valley Net Zero Innovation Group

Recommendation 2: Reframe Sustainability Messaging



We recognise that one of the key messages in the Willow Review is that language around sustainability needs to be more accessible to businesses. The Review found that, in many cases, SMEs do not connect with the messaging around sustainability, seeing it as adjacent to their work or not relevant to their business type. In other cases, the information they receive does not present actionable advice or support, or clear case studies that help those SMEs to consider the best form of action. Specifically, the Willow Review makes a case for shifting language away from technical jargon and compliance towards promoting the benefits of sustainability.

We know that growth, innovation and sustainability can go hand-in-hand (as outlined in our recent Small Business Plan and the Carbon Budget and Growth Delivery Plan). Net zero is the economic and industrial opportunity of the 21st century – essential to driving growth and creating good jobs. Focusing messaging on this is key, and we want to continue to make the growth opportunity as clear as possible for SMEs.

Government is working to ensure advice provided to SMEs is clear and actionable, with case studies to bring this to life for SMEs of all sizes and across different sectors. We know that providing clarity on sustainability policy is important for enabling SMEs to make investment decisions and will utilise government-supported campaigns to better connect with businesses. We will work across Government, with the Willow Review team, local areas and wider stakeholders to develop a reframed sustainability narrative.

The UK Business Climate Hub (UKBCH) provides advice and guidance to support SMEs in reducing emissions and seizing the economic opportunities. It is run by the Broadway Initiative in partnership with government and a coalition of organisations. We are working with BI to reframe the narrative on the website and bring it to life for users, starting with business engagement on language and communication of the messaging in October-March 2026. DESNZ are providing £200,000

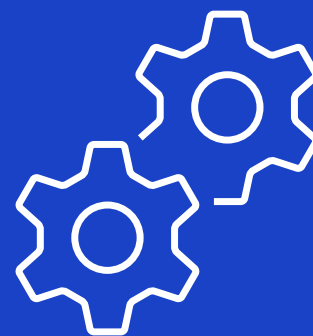
this financial year to support work to update the UKBCH. The website will be updated to ensure it is accessible to SMEs, building on feedback from SMEs represented in the Willow Review and showcasing positive case studies where SMEs from various sectors might see themselves reflected.

The Net Zero Council is also supporting work to develop the UK Business Climate Hub and explore how the benefits of the transition can best be communicated to different audiences, including SMEs, and how business leaders can be supported to act as climate advocates. In addition, it is supporting the development of sector transition plans, which will help to provide clarity on the roles and opportunities for SMEs within specific industries.

The UKBCH has already begun integration with government's new Business Growth Service, which will set out the economic benefits of sustainability measures. This work will help to ensure that clear messaging is in place to support SMEs with identifying the opportunities and actions needed to reduce energy bills and carbon emissions. We will help ensure that this new resource is widely disseminated in the coming months, working alongside Growth Hubs.

Additionally, we recognise that the UK's net zero ambitions form part of a broader holistic approach to climate change, one that brings together both sustainability and risk management as well as opportunities to adapt to a changing climate. We commit to play a supportive role by providing guidance tailored to each stage in a business's growth journey. We are developing this in collaboration with business representative organisations and the UK Business Climate Hub and aim to make new guidance and resources available by the end of the year.

Recommendation 3: Campaign to enhance uptake of existing resources



We know small firms find it hard to navigate the system and access the support they need. We are exploring options on how best to support SMEs to create appropriate climate planning tools, and will work with key stakeholders and existing partners to develop potential measures further. Across government, our aim is to focus our efforts and resources on four main avenues: the UK Business Climate Hub, the Business Growth Service, Growth Hubs and government-supported, private sector-driven campaigns.

The UK Business Climate Hub

The UK Business Climate Hub provides advice and guidance for SMEs and is delivered by the Broadway Initiative in collaboration with government, businesses, trade bodies and Distribution Network Operators. The site provides a route to communicate, clear and actionable advice to SMEs across the UK, drawing on the broad audiences of the groups that support it. DESNZ will provide £200k to the UKBCH to make updates to the website this financial year and prepare for its further integration with the Business Growth Service. As the UKBCH becomes more embedded in business support infrastructure such as the Business Growth Service and local Growth Hubs, more SMEs will be able to access its refreshed content and advice.

The Net Zero Council is taking forward work to support development of the Hub and to amplify it as a resource. Business leadership is vital in helping to demonstrate that growth and sustainability can be complementary, and in supporting the uptake of useful resources.

Business Growth Service

We will continue to integrate the UK Business Climate Hub with the Business Growth Service initially using business.gov.uk, our new digital offer, which now signposts to the UK Business Climate Hub homepage, which provides advice and guidance on net zero actions and funding. In time, we plan to use the Business Growth

Service to signpost to other resources, both those available on the UK Business Climate Hub as well as elsewhere. These include upcoming DBT guidance on climate adaptation tailored to SMEs at different stages of the business growth journey (by end of 2025). More detail on the Business Growth Service offer is provided in response to Recommendation 8.

Growth Hubs

Growth Hubs already bring together available business advice and support from across the public, private and third sector, work closely with providers, and act as the local delivery partners for the Business Growth Service. Each Growth Hub has flexibility to tailor its support to the local community of businesses according to demand. Government will work closely with Growth Hub leads, as we have throughout their existence, to ensure dissemination and embedding of existing and new sustainability resources throughout local support ecosystems.

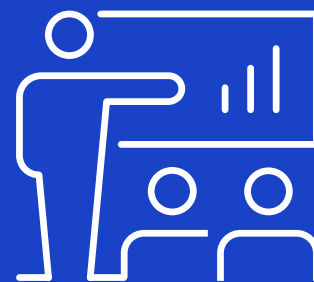
We commit to developing material to be included in Growth Hub advisor toolkits, so that SMEs seeking in-person or telephone advice will have access to the most up to date information on energy efficiency measures.

Campaigns

Government advice on sustainability will be amplified by partners in the private sector within the Broadway Initiative coalition who will also help to point SMEs to the UKBCH as a key source of information.

More broadly, we will consider how to work through available communication channels, including digital campaigns, newsletters and Ministerial events, to connect businesses with what government has to offer, particularly through the Business Growth Service. This will include amplifying sustainability support and disseminating key messages on the benefits and opportunities of net zero to SMEs.

Recommendation 4: Support SME Transition



The Willow Review highlights that some tenants want more collaboration and agency over their energy supply, for example to choose a renewable supply. The Better Buildings Partnership (BBP) has produced a comprehensive Toolkit for Green Leases to enable owners and occupiers of commercial buildings to work together to reduce the environmental impact of their buildings. Green Leases and Memoranda of Understanding (MoUs) help to overcome the challenge of split responsibility/incentive between owner and occupier, by providing a framework for engagement on environmental issues. They enable the parties to better understand each other's environmental aspirations, identify where opportunities for collaboration exist and develop an understanding of how improvements can best be undertaken. We are engaging with the Better Buildings Partnership to establish what support we might provide for the use of their Green Lease Toolkit.

Government is also consulting on a new policy framework to drive the smart meter rollout to small businesses and public sector sites post-2025¹². The consultation contains several proposals to support smart meter uptake in the commercial private rented sector, therefore helping landlords and tenants manage their energy use. Government also intends to develop guidance for commercial landlords and tenants on how they can cooperate to navigate the existing non-domestic energy data landscape and access the data they need to decarbonise their premises.

In addition, one of the key principles of the current Private Rented Sector minimum energy efficiency standard regulations is to unlock energy efficiency potential in properties where landlords may not themselves incentivised to make those upgrades.

12 Non-domestic smart meter rollout post-2025 - GOV.UK

Recommendation 5: Improve Access to Finance



There are barriers to businesses accessing both green finance (which comes primarily in the form of loans) and non-repayable grant funding. In the case of green finance, there are persistent market failures that affect businesses seeking any type of finance. The Bank of England has noted that the stock of SME debt as a share of UK GDP has fallen over the past 15 years, from 13% in 2011 Q4 to 8% in 2024 Q4, which reflects both the small share of SMEs seeking external finance and historical barriers these firms face in accessing external financing. These barriers are not unique to the UK, with SMEs across many economies facing similar challenges, while in the UK we have a wide variety of credit provision including from non-bank finance providers¹³. Loan approval rates have dropped significantly, especially for first-time applicants, and just 1.5% of UK SMEs apply for bank loans¹⁴ reflecting a broader reluctance among SMEs to take on debt. The UK now has the lowest levels of business borrowing in the G7.

In addition to those more general challenges in debt finance markets, low demand for green finance is driven by a perceived lack of financial return for borrowers. Indeed, some decarbonisation technologies have poor payback periods and thus have a weaker return on investment compared to other possible interventions, particularly given the relatively high cost of finance.

We need to demonstrate and evidence a compelling case to induce the market to create deals, incentives and structures that allow businesses to realise a good financial return on investment. The BBB's pilot Green Growth Guarantee Scheme seeks to do this by addressing high costs arising from the relative immaturity of the market for second hand green assets. We will work with relevant stakeholders to understand

in more detail the financing options available to SMEs, their approach to taking on debt and any barriers they face. We can learn from other schemes delivered in Scotland, Wales and some Local Authorities which provide different models of funding. On grant funding, DESNZ are delivering a Business Energy Advice Service Pilot for SMEs in West Midlands, providing free energy audits and match funded grants. There are also a number of grant opportunities for SMEs available from different levels of government, including the Boiler Upgrade Scheme¹⁵ and various local funding opportunities.

Separately, government commits a further £2 million this financial year to provide match funded grants for green technology adoption. Our Made Smarter Adoption programme supports manufacturing SMEs in England to become more productive through the use of digital technology that can increase a business's energy efficiency and decrease its carbon footprint. This additional funding will target measures to enhance energy efficiency and will be delivered regionally.

We recognise that grants are a confusing and fragmented landscape. Grant offers are often location-specific, limiting the possibilities for a "one-stop-shop" approach, and given the landscape of varied providers with differing due diligence requirements, a simplification process is also challenging.

However, the Business Growth Service, working in partnership with Growth Hubs at a local level, whilst also facilitating links with UK Business Climate Hub in the longer term, will help to increase visibility of various forms of finance and funding, and simplify signposting to green finance and sustainability grants. This will build on information provided by the Government Grant Finder website¹⁶ and British Business Bank Finance finder¹⁷.

13 Small Businesses: Access to Banking - Hansard - UK Parliament
14 Financial Stability Report, Financial Policy Committee – December 2025
15 Boiler Upgrade Scheme
16 Home - Find a grant
17 Finance Finder | British Business Bank

Recommendation 6: Expand the Growth Guarantee Scheme to Include Green Initiatives

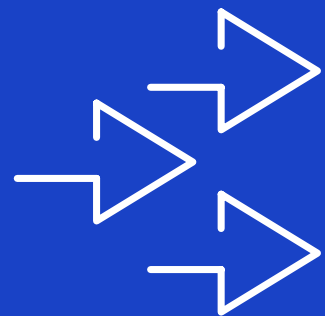


We recognise that one of the barriers to more affordable green lending is the uncertainty that lenders face over the future value of these green assets in the instance of borrower default. This is due to the pace of technological advances and a lack of observable track record or data in the relevant second-hand markets. As a result, lenders raise the upfront cost of financing green assets to mitigate this uncertainty, or simply choose not to finance the green asset. This in turn dampens business demand for green investment.

Since spring 2025, the British Business Bank has been piloting a variant of the Growth Guarantee Scheme that seeks to address this market failure (the Green Growth Guarantee Scheme).

The results of the pilot will help inform any future intervention to facilitate the maturation of green SME finance markets. Together with the BBB we are also exploring where we can go further in promoting green finance for businesses at different stages of growth.

Recommendation 7: Drive Forward Fiscal Incentives for SME Sustainability



We know that it can be challenging for SMEs to find and make use of support and existing fiscal incentives. We will work to boost awareness and accessibility of these opportunities through the networks and levers we have at our disposal, such as the Net Zero Council, the Business Growth Service, and Growth Hubs.

We also acknowledge that existing and upcoming schemes may have differentiated effects on SMEs versus large businesses. Government proposes to take forward a joint action with stakeholders

including the Net Zero Council and its SME Working Group to review the barriers identified in the report. It is important that we fully understand the financial challenges SMEs face in investing in energy efficiency measures and how government can better enable SMEs to benefit from existing fiscal incentives. We need to build up an evidence base so that we can understand options for taking action. If the evidence suggests that current schemes are hard to navigate or underutilised, we will consider what we can do to improve SME experience and access.

Recommendation 8: Integrate Sustainability into the Core Offering of the Business Growth Service



The long-term ambition is for the Business Growth Service to encompass all government-provided and -backed business support services as they relate to boosting growth and productively amongst SMEs. This means that the Business Growth Service will, in time, be able to support businesses with more specialised needs such as in relation to sustainability.

The Small Business Plan committed government to integrating the UK Business Climate Hub, with the Business Growth Service by the end of the year. We have now completed the initial integration on business.gov.uk. This will help to ensure that the Business Growth Service is an effective one-stop-shop for SMEs, and that sustainability support is a core part of its offer. As set out above DESNZ is providing support to improve the UKBCH offering and will continue to collaborate with the Business Growth Service to ensure sustainability messaging it promotes

is easily accessible, relevant and consistent with the reframed narrative discussed under Recommendation 2.

Using the network of Growth Hubs (and their parent local authorities) as the Business Growth Service is developed, we will work to support connections between government and other public sector support, as well as highlighting the offer available at a local level from private and third-sector partners. For example, we will highlight the work of the Net Zero Council in developing and delivering sector transition plans – sector-led plans which will set out the role of SMEs and how they can access support, helping to inform company-level transition plans. There is also strong alignment with the Circular Economy Growth Plan, which will set out opportunities to support both growth and the transition to be more resource efficient for businesses of all sizes and in sectors across the economy.

Conclusion

The government sees net zero and sustainability as a core priority of its Growth Mission. We are already taking action to support small businesses to maximise these benefits, and we will continue to work closely with other stakeholders inside and outside government to go further. We want to support SMEs to reach their growth potential through the powerful opportunities that net zero and the sustainable transition can offer.

Legal disclaimer

Whereas every effort has been made to ensure that the information in this document is accurate, the Department for Business and Trade does not accept liability for any errors, omissions or misleading statements, and no warranty is given or responsibility accepted as to the standing of any individual, firm, company or other organisation mentioned.

© Crown copyright 2025

You may re-use this publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information in the material that you wish to use, you will need to obtain permission from the copyright holder(s) concerned.

Published by

Department for Business and Trade
Department for Energy Security and
Net Zero

December 2025