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OVERVIEW OF THE PROBLEMS FACED BY MICRO AND SMALL BUSINESSES WHEN APPLYING THE CONCEPT OF ECO-EFFICIENCY, INCLUDING ENERGY EFFICIENCY

Eco-efficiency, as an application of IPP (Integrated Product Policy) and SCP (Sustainable Consumption and Production) and with its links with eco-design and energy efficiency can be seen as a rationalisation of the production process whereby the impact on the environment (inter alia the use of energy) has to be kept to a minimum during the different phases of the manufacturing process.

The implementation of this concept is quite problematic for the majority of manufacturing micro and small businesses for the following reasons:

I. GENERAL ISSUES

Most micro and small businesses **do not have any environmental policy or energy rationalisation policy in place**. The protection of the environment and a more sustainable use of energy are often still perceived as a series of bureaucratic burdens imposed by public authorities. There is a lack of proactive attitude in this field. It is fundamentally a cultural problem: this means that minimising the impact on the environment/rationalising energy consumption is a concept which is not integrated systematically in everyday's life. Products/services are generally conceived/provided on the basis of the market's indications and on profit prospects. Still more important, though, this also means that micro and small businesses are in most cases not aware of the fact that they pollute. In the area of energy then, it should also be considered that an overwhelming majority of micro and small businesses has an energy intensity of about 3 to 4%, which reduces the economic incentive to invest in energy saving.

Consequently, most micro and small businesses do not have any environmental management systems (EMS) in place able to rationalise their processes and tackle their environmental impact and energy use. This lack of EMS is both linked with the cultural problem mentioned above and with the features of the EMS currently recognised by the various stakeholders, such as EMAS and ISO 14.000: they are too complicated and too costly for micro and small businesses. Basically the necessary preliminary and operational investments are perceived as too high compared to the benefits/results achieved.

II. ISSUES LINKED WITH THE DIFFERENT PHASES OF THE PRODUCTION PROCESS

Environmentally-friendly raw materials

Micro and small businesses find it difficult to use this kind of raw materials because:

- It is generally hard for them to give documented evidence of its origin and its properties
- It tends to be more expensive and, therefore, it has an impact on the price of their final products

The example of woods coming from sustainably managed forests (such as FSC, referred to in many Eco-Label criteria) gives a clear example of the problem: micro and small businesses normally rely on one provider of wood. Since they do not buy huge quantities of material, they have no power whatsoever to influence the kind of wood sold by the provider or its origin. Therefore, choosing wood from sustainable managed forests can result in a change of the normal provider-buyer relations with delays and time investments. This, in turn, can discourage businesses from opting for a more sustainable material (and, therefore, from applying for the EU Flower, particularly when the Eco-labelled products only represents a small part of the total range of products of the company).

Planning/design of the products

In this case, the cause of the problem faced by micro and small businesses relies both on the cultural attitude mentioned in Section I and in the necessity to recruit technicians and engineers able to judge the planning and design of products from an ecological and energy efficient perspective.

Production phase

Minimising the negative impact on the environment and increasing energy efficiency of the manufacturing phase often requires the adoption of new, more advanced technologies. This means micro and small businesses are faced with the problem of finding the external financing for that. In this framework, it should be considered that:

- a) Investments in new production facilities have to be calculated very carefully and must be used during the whole amortisation period. If new standards force SMEs to undertake new investments before the existing ones are fully depreciated, the additional costs may seriously endanger the existence of a company.
- b) Any investment in eco and/or energy efficiency has to compete against other investments that may be more important for competitiveness or have a higher potential for cost saving (i.e. labour costs).
- c) Most SMEs have a very low equity ratio and depend mainly on debt finance, which reduces the possibility to invest and forces SME owners to prioritise the most important investments from a business point of view.

Transport phase

This phase has important repercussions on the quality of the environment, both for the emissions and the congestion caused by road transport (and, as such, it is specifically targeted by formal EMS, such as EMAS). Also in this case, micro and small businesses tend to choose the best transport option on the basis of its influence on the final price of their product without

taking care of environmental aspects. The road transport option is, consequently, the classic solution due to their traditional approach to this issue.

End of use phase

Waste is a particularly growing problem and a more sustainable production process should aim at avoiding or reducing its production to the minimum. Moreover, products should be designed in a way to be easily dismantlable by customers in their end-of-life phase in order to facilitate reuse and recycling. These concepts are particularly difficult to apply for micro and small businesses because of the already mentioned problems related to the lack of EMS and eco-friendly design.

As a whole, therefore, the implementation of concept such as eco-efficiency, IPP, eco-design and energy efficiency in a classic micro and small business corresponds to a revolution in its production process. It should be well prepared in advanced and introduced with care avoiding “overnight” implementation.

III. POSSIBLE SOLUTIONS

The following series of measures could improve the situation and pave the way to a smoother implementation of eco and energy efficiency measures in micro and small businesses:

Awareness-raising actions

A series of awareness-raising actions should aim at informing micro and small businesses of their impact on the environment as well as on their potential for energy saving/increase of eco-efficiency. These actions, organised by the EU and the member States in co-operation with business organisations and, whenever necessary, with energy saving companies (ESCO), would result in the improvement of micro and small businesses’ understanding of how to reasonably apply eco and energy efficiency measures and their benefits.

Reliable, up-to-date sectoral information

Micro and small businesses should be provided with a user-friendly, on-line overview of all the recent measures related to eco and energy efficiency in their sectors (and particularly existing and incoming legislation as well as EU and national funding opportunities). This information, provided in all EU languages and regularly updated, should be co-ordinated at EU level and would be of great help in improving understanding. Something similar, but extended to all environmental legislation impacting upon micro and small businesses, will be provided by the new EU programme ECAP (Environment Compliance Assistance Programme)² [COM (2007) 379 final]. Since this programme has just been published, it is impossible to judge what kind of information is really going to be offered.

Permanent tutorship

Micro and small businesses need a reference point in their own area to turn to in order to be supervised and coached as far as the implementation of targeted eco and energy efficient measures are concerned. Some of these “environmental and energy tutors” dealing with a

² ECAP is foreseen by the VI Environmental Action Programme of the European Union (Art. 3. 5. 3.) as an instrument with specific help for SMEs in the framework of the improvement of the collaboration with enterprises and their representative bodies with a view of improving the environmental performance of enterprises and aiming at sustainable production patterns.

certain number of micro and small enterprises are already active at local level through the environmental centres set up by SME organisations. However, this presence needs strengthening to avoid small businesses being left on their own in such a complex area. The EU Commission should, therefore, insert in its support programmes measures to foster the initial and continuous training of such experts in co-operation with SME organisations. Again, ECAP proposes a set of measures to tackle this gap. However, these measures are totally inadequate since the EU Commission only plans to organise seminars in the Member States, giving its EU-wide networks (Euro Info Centres and the Innovation Relays Centres) the key role in addressing this problem at local and regional level.

Simplification of the current formal EMS

While ISO 14.000 falls out of the competence of the EU Commission, EMAS is based on an EU Regulation which is soon to be revised. This is the chance to turn EMAS in a real SME-friendly voluntary instrument by applying the “think small first” approach. This means namely cutting requirements imposing excessive red tape and resulting in high implementation costs. If this target is achieved the implementation rate of EMAS in micro and small businesses should increase, with important outcomes on their level of eco-efficiency.

Targeted EU and national programmes

The EU and the Member States should set up European and national programmes to finance and/or co-finance technological improvements, the implementation of internal environmental and energy policies and the employment of experts in eco and energy efficiency by micro and small businesses. Considering the investments to be made, in most cases the availability of micro-credits (around 25.000 Euros) would match the needs.

Fiscal measures

Fiscal measures, such as tax deductions for investments in eco and energy efficiency at national level, could also facilitate the uptake of specific measures in this field by micro and small businesses.

Real and effective consultation of representative SME organisations

The EU Institutions and the Member States should consult representative SME organisations at EU or national level whenever drafting or revising policy measures related to eco/energy efficiency and, more in general, environmental policy and energy policy. This consultation should not only be simply formal, but real and effective in order to allow the principle “think small first” to be embedded in the process. An example of “formal” or “false” consultation of SME organisations is clearly happening at the moment in the framework of the Energy Using Products Directive (EuP). In this case, very technical, long documents in English are sent by Directorate General Enterprise to the members of the Consultation Forum with very short deadlines to reply. The level of technical skills to react to these documents is such that only the manufacturers of the products concerned by the consultation or independent external technicians with expertise in the field could respond. It is clear that, because of time constraints and language problems, it is impossible for small manufacturers to react directly. On the other side, it is very difficult to find the above-mentioned technical expertise inside SME organisations. The only solution is, therefore, for SME organisations to pay for external technicians for this job. This is clearly not possible on a continuous basis and there is a high risk that often no response is given to the consultation documents. Considering the serious repercussions that the EuP directive will have on companies and their level of employment (since it will be no longer be possible for manufacturers to put their products on the market if they do not correspond to the requirements set by the Directive), an effective consultation of

the impact of the proposed measures on micro and small businesses is of paramount importance. Therefore, Directorate General Enterprises should follow the example set by Directorate General Environment in the framework of the Eco-Label, by establishing procedure to finance SMEs' technical involvement in the EuP scheme.

“Ex ante” and “ex post” impact assessments

Effective consultations of representative SME organisations should go hand in hand with both “ex ante” and “ex post” assessments of the impact of the proposed measures on the competitiveness and employment level of micro and small businesses in order to prevent or correct the adoption of unsuitable or disproportionate initiatives.

On the basis of this background, UEAPME would deem it useful if the **Action Programme for Sustainable Production and Consumption**, which the European Commission should present in 2008, **would provide a coherent framework supporting micro and small businesses in the implementation of eco-efficiency**. It goes without saying that this support would give a major boost in achieving the recent targets set by the European Union in the fight against climate change.

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