

Developing London's SME Green Business Transition: Finance and Support Services

A Report by the Centre for Enterprise, Environment & Development Research (CEEDR), Middlesex University, as part of London Councils' Green Economy Programme.

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Executive Summary

The 2023 [London Low Carbon Market](#) report indicates that the green economy is valued at £50 billion, accounting for 5% of total employment.

From 2023-2025, London Councils' Green Economy Programme was established to support the delivery of their wider Climate Programme by mobilising skills, supply chains and investment needed for a Just Transition. SMEs play a crucial role in this transition and supporting them to adopt sustainability practices is of utmost importance in realising this goal.

The objective of this report is to assess the availability and effectiveness of financial support, business services, and green technology adoption for SMEs transitioning to a green economy. London's SME business support ecosystem consists of local councils, chambers of commerce, financial institutions, and private business support providers. To gain a holistic understanding, a total of 31 qualitative in-depth interviews were conducted with a range of key stakeholders within the wider ecosystem. The discussions focused on current green finance and funding schemes, associated challenges, best practices and key priorities.

Key Findings

Our findings show that most green transition programmes for London's SMEs are small-scale, localised, and unevenly delivered, with only a few large-scale public and private initiatives available. Overall, the existing support services can be categorised into four main areas: i) networking and knowledge transfer, ii) energy audits and distribution of energy-saving devices, access to external financing including green grants, match funding, and finance, as well as iii) support for supply chain collaboration and iv) green infrastructure development.

While public and private initiatives, such as Sutton Council's Green Business Rate rebate and the South London Partnership's retrofit skills centre, provide effective models for SME support that require scaling, broader financial and knowledge barriers persist. For instance, equity investment for green innovation exists but remains limited to a small number of high-growth ventures. SMEs that receive grants or advisory support are more likely to adopt sustainability practices, highlighting the need for more comprehensive and accessible assistance.

Key Challenges

SMEs face significant barriers in their green transition efforts, primarily due to limited access to finance, with many struggling to secure funding due to a lack of awareness of existing opportunities, often complex application processes, and small-scale grants that fail to incentivise green investment.

Tenant-landlord constraints further hinder progress, as most SMEs operate as tenants, restricting their ability to invest in retrofitting the existing infrastructure and drive renewable energy solutions. Additionally, SME support services across London are bureaucratic and fragmented, making it difficult for businesses to navigate available opportunities. Progress is further hindered due to a shortage of green skills, particularly in energy audits and retrofit projects.

Recommendations

Drawing on empirical insights from our research, findings point to a number of recommendations that can tackle the key challenges:

1. **Establish a London-Wide SME Green Support Programme** - Create a centralised, 'one-stop shop' model with a focus on long-term, less bureaucratic support mechanisms with simplified grant processes and advisory services. Embed sustainability expertise within existing SME support so that green practices are introduced as part of standard business advice, not only for those actively seeking it as a complementary approach. This agnostic approach –whether driven by cost savings or climate goals– broadens engagement and ensures sustainability makes economic sense for all businesses.
2. **Boost and Streamline Access to Green Finance** - Simplify application processes and improve outreach to SMEs to ensure financial support is more accessible. Bridge the financial gap by introducing targeted subsidies and incentives to alleviate high upfront costs of green investments. Here, third party green loans and support programmes offered by High Street banks and other private sector lenders will need to help reduce the impact that reduced public grants are causing.
3. **Develop Shared Green Infrastructure and Landlord-Tenant Solutions** - Enable SMEs to access shared spaces and testbeds to pilot green innovations. Incentivise landlord-tenant collaboration for energy-efficient retrofits and regulatory compliance through co-created programmes and investment schemes.
4. **Expand Green Skills Training** - Address the skills gap in retrofitting and renewable energy installation to meet rising demand and focus on inclusivity to address gaps that can also help to drive the Just Transition.
5. **Strengthen Public-Private Partnerships and Enhance Green Procurement and Supply Chain Integration** - Encourage collaboration between councils, finance providers, and businesses to scale sustainability solutions. Promote SME involvement in public and private green procurement through targeted matchmaking, clearer guidance on sustainability requirements, and facilitated entry into supply chains.
6. **Enhance Regulatory Clarity and Support** - While businesses do not call for fewer regulations, clearer and better-aligned regulations, alongside improved support services, can drive sustainability adoption.
7. **Redefine Success Metrics** - Move beyond traditional impact measures to track long-term environmental benefits and business resilience.

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1. Introduction

The [2023 London Low Carbon Market](#) report indicates that the green economy is valued at £50 billion. The Green Economy programme of work, sponsored by London Councils as one of the seven themes of their climate programmer, was established in 2023 to support the delivery of the wider programme by mobilising the skills, supply chains and investment needed for a Just Transition. The programme also focuses on helping SMEs transition to sustainable and socially responsible practices, recognizing their vital role in achieving London's green ambitions. [SMEs make up over 99% of all UK businesses, yet they account for only 44% of employment and 43% of total business turnover.](#) This imbalance underscores both their ubiquity and their structural vulnerability in the national economy, where [many remain undercapitalised, resource-constrained, and less resilient to external shocks such as climate change, inflation, and regulatory pressures.](#)

At COP29 (November 2024, Baku), the [UK Government raised its emissions reduction target to 81% by 2035 and reaffirmed its net zero pledge by 2050.](#) These ambitious goals necessitate accelerated decarbonisation across all sectors and are particularly relevant for major cities such as London, which operate as an economic heart for regions and entire countries. For SMEs, this means adapting to stricter regulations on energy use, waste management, and emissions reporting. Under the [UK Government's Streamlined Energy and Carbon Reporting \(SECR\) initiative,](#) organisations with annual revenues exceeding £36 million and more than 250 employees are required to formally report their energy usage and carbon emissions. While SMEs are not directly obligated to comply, they are increasingly impacted as larger customers and suppliers cascade these requirements throughout the supply chain. This is forcing SMEs to adopt sustainable technologies, measure emissions and access external finance to remain competitive.

London's SME green business support ecosystem is diverse, comprising public and private factors, finance providers, non-profits, innovation hubs, academic institutions, and technology providers. Yet, SMEs face significant challenges, including limited awareness of the need to transition, insufficient funding access, and a lack of engagement from key stakeholders in supporting green entrepreneurship. Research indicates that less than 1% of the UK's 5 million SMEs have accessed public green support, citing barriers like economic uncertainty, lack of expertise in green investment returns, inadequate banking support, and landlord-controlled property constraints.

The development and implementation of the wider London Councils' Green Economy programme - comes at a time of uncertainty and wider socio-economic challenges. Political uncertainties across Europe and the United States, coupled with economic challenges arising from geopolitics, trade wars, and technological disruptions, have left many businesses operating in reactive and often survival mode. Due to these changes, sustainability initiatives are often not prioritised by business decision makers. For instance, data from the [SME Finance Monitor](#) conducted by BVA BDRC for UK Finance shows that in 2023, only 19% of all SMEs said they planned to “*take significant steps to reduce the carbon footprint of the business*”. This was more

likely to be the case among the largest SMEs (50%), those operating in hospitality (26%) and businesses that import and export (28%). This is likely because they are more frequently subjected to environmental regulatory scrutiny and increased supply chain pressures. As a result, it is more urgent than ever to identify opportunities and break down barriers to support London's businesses to advance green growth and sustainability ambitions more widely.

This research is commissioned as part of London Councils' Green Economy programme. A research consortium led by Middlesex University was appointed as key knowledge partner to identify processes and leverage points to effectively support London's transition to a stronger green economy. This research project is the outcome of six months of empirical work and a 24-month knowledge partner collaboration with the London Borough of Hounslow.

The primary aim of this report is to explore SME financing for London's green transition, with a focus on understanding the ecosystem of financing and business support services that are available in London. This study recognises that achieving net zero and enabling SME low-carbon transitions requires integration with wider environmental change and business support systems. By adopting an ecosystem perspective (i.e., analysing the situation from multiple stakeholder perspectives), this study examines the actions and support provided by various actors, including businesses, support providers, London councils, financial institutions, and chambers of commerce, among others, to gain a comprehensive understanding of current practices and shortcomings.

This approach avoids 'carbon tunnel vision' (focussing on emission reduction) by addressing interconnected aspects of the green transition, such as circular economy practices, nature-positive approaches, and compliance with current UK business reporting regulations. It does so by bringing together insights from support providers and support recipients across the pan-London green economy ecosystem.

Against this background, this study is led by two main questions:

1. What are the activities undertaken by key business support providers in London to deliver and measure green finance and sustainability services for SMEs? And what barriers persist?
2. How do SMEs perceive and engage with the green finance and non-financial support ecosystem, and to what extent does it enable support recipients to contribute to the transition towards a green economy?

2. Methodology

Between August 2024 and January 2025, the Middlesex University-led research team undertook 31 qualitative in-depth interviews with a range of ‘green’ business support services providers¹ and assisted London-based SMEs² (i.e. support recipients). For the business support providers, we targeted key actors who hold an active role in advancing London’s green economy and its underlying ecosystem.

We interviewed a broad mix of SMEs from various sectors, prioritising those that had engaged with one or more support programmes in London. Unlike many existing studies, which tend to zero in on fast-growing or sector-specific firms, we made a conscious effort to include more traditional businesses—those that have been operating for some time and are now starting to explore greener ways of working. This wasn’t without its difficulties. Many of these SMEs operate with limited capacity and aren’t always sure how—or even whether—they fit into the ‘green’ category.

In total, we contacted 25 support providers (18 interviews, 72% interviewed) and 43 support recipients (14 interviews; 33% interviewed). More detailed information about respondent profiles can be found in Table 1 and 2 (see also Appendix A). For the support recipient perspective, we interviewed 14 London-based SMEs of different sizes from a variety of sectors. Drawing on our findings, we differentiate between three types of SMEs, namely *Green Born*, *Green Ambitious* and *Green Enforced*. *Green Born* are founded on the premises of green innovation and sustainability. *Green Ambitious* are those that have proactively sought to transition and in some cases are well advanced in their adoption of green processes. *Green Enforced* are those that have more recently initiated green change processes, typically due to supply-chain pressures of key partners.

As part of the purposive sampling approach, we also interviewed SMEs that did not receive substantial support (e.g. BIZ; Forster) to better understand the potential reluctance to engage with support offerings and other existing barriers. Table 1 and 2 provides an overview of all interviewed London-based SMEs and support organisations. (see Appendix B for more detailed overview). As part of the analysis, we offer some short case study vignettes to illustrate key findings.

¹ Defined as London based SME support organisations which offer net zero climate and related environmental and energy support services.

² Defined as start-ups and established independent businesses with under 250 employees.

Table 1. Interview List of London SME Finance and Support Providers

Organisation Type (no.)	Name
London Boroughs (LB) (7)	Sutton, Kingston (South London), Waltham Forest (East London), Hammersmith and Fulham (West London), Hackney, Newham, Lambeth (Central London)
Green Finance Providers (8)	NatWest Bank (London SME accelerator), Sustainable Ventures, Clean Growth Fund, Green Business Action, London & Partners, Grow London Local, Heart of the City, ReLondon.
Generalist Support Providers (2)	Federation of Small Businesses (FSB), West London Chamber of Commerce (WLCC).
Green Business Support Providers (1)	Auditel

Table 2. SME Support Recipients Respondent Profile

Name	Sector	Type
Hybrid Energy Systems	Renewable Energy	Green Born
IntelliDigest	Food Recycling	Green Born
Napeeco	Textiles (FMCG)?	Green Born
Sunlight	Healthcare	Green Born
SomeGrub	Food & Drink sector (FMCG)	Green Born
Paul Vick Architects Ltd	Build environment (Consulting)	Green Ambitious
Forster Communications	Marketing and Communications	Green Born
Santis Global	Courier service, Transport	Green Enforced
Isla	Healthcare Technology	Green Ambitious
Colorifix	Cleantech Textiles	Green Born
BIZ Engineering	(Metal Fabrication)	Green Ambitious
ClubZero	Food and Drink Sector (Recycling)	Green Born
Greentech & Trova	Consultancy; and Recycling Platform	Green Born
Toast	Food & Drink sector	Green Born

Definitions

Green Born:

These refers to businesses that are founded with sustainability as core principle and have embedded environmental and social responsibility into their mission, value proposition and operations from the outset.

Green Enforced:

These refers to businesses that are compelled to integrate sustainability practices into their operations due to external pressures from stakeholders such as regulators, customers, investors, or supply chain partners. The shift toward

sustainability is primarily reactive, driven by compliance requirements or market expectations.

Green Ambitious:

Established businesses that proactively pursue sustainability initiatives as a strategic choice to gain competitive advantage, enhance brand value, or align with internal leadership vision. The motivation is primarily internal, often led by forward-thinking executives or sustainability champions.

3. Findings

The findings are presented in two sections. The first section outlines insights gained from interviews with support providers, offering extensive insights of the support offered across London's support ecosystem. The second part presents perspectives from Green SMEs across London, allowing us to contrast SME insights with the former.

3.1 Overview

London is home to almost one million SMEs, more than any other UK region. The scale of London's SME green transition support requirements is therefore vast and challenging. Notably, the business support programmes are diverse, varying in type, size and location. Despite few large-scale public and private programmes, most of green transition programmes are small-scale, localised, unevenly delivered and barely scratch the surface of the capital's SME green transition requirements.

The numbers of businesses assisted also vary widely, due to the size of programme funding. London's share of the UK Shared Prosperity Fund (SPF)³, have allowed some support providers to deliver larger scale programmes across London. For instance, ReLondon, Green Business Action (delivering SME strand of the Better Futures Fund), Heart of the City, London & Partners deliver pan London business support programmes (see Appendix D).

3.2 Green Business Support Models

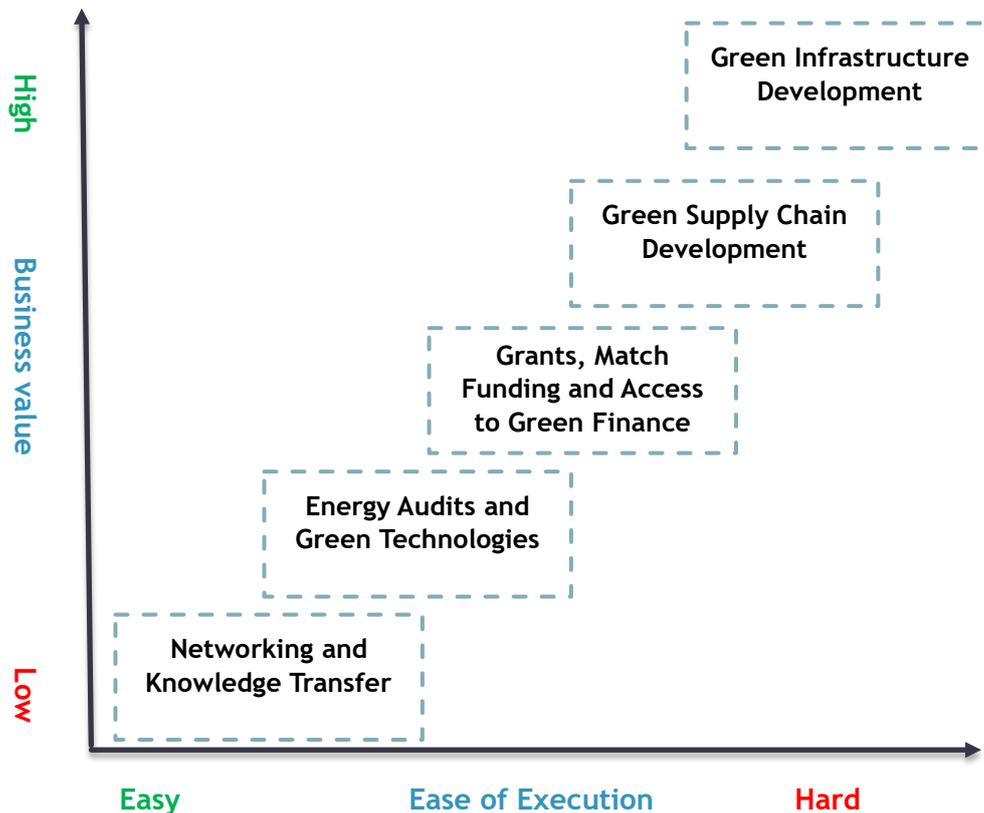
This research identified a wide range of business support programmes (for an overview see Appendix C), some of which were localised (e.g., Waltham Forest's cycling qualification), in contrast to initiatives like the South London Partnership's retrofit skills centre, which require coordination among multiple councils and take several years to implement.

For ease of understanding, we developed the below framework (Figure 1) that groups various support programmes. This framework also highlights the dynamic interaction between business value that can be derived from the initiatives and the ease of execution for a business support provider. It is evident that those initiatives that generally provide high business value are complex, expensive, and difficult to execute. The support services can be broadly grouped into four categories as

³ SPF is the main UK place based public funding initiative replacing EU funding such as the European Regional Development Fund (ERDF)

depicted. This framework can be a useful starting point during the design and development of new programmes.

Figure 1. Dynamic interaction between business value and the ease of execution in delivery of business support programmes.



3.2.1 Networking and Knowledge Transfer

Networking and knowledge transfer are the most common business support services offered by the interviewed providers. These range from specific events, such as textile repair workshops (e.g., London Borough of Waltham Forest), to broader initiatives like NatWest’s structured programme or Grow London Local’s online triage services connecting businesses and service providers. Many services are promoted via social media, newsletters, and workshops, with organisations like Heart of the City praised for their expertise in presenting low-carbon business cases.

Several respondents pointed to the value of having best practice cases and ‘business champions’ to promote tangible, real-world success stories that inspire others to follow (e.g., Hackney Council and Grow London Local). [Grow London Local](#) has published member stories highlighting how their members improved their business due to their support. Despite an increase in awareness about support services, tailored outreach and financial accessibility were found to be the key for driving meaningful sustainability adoption practices amongst SMEs.

3.2.2 Energy Audits and Green Technologies

Some of the respondent support providers offered free energy audits to businesses that enabled them to gain a better understanding of their consumption (e.g., Waltham Forest, Hackney Council)⁴. Along with free energy audits, they also distributed energy monitoring devices that allowed businesses to gain real time insights into their energy usage.

Kingston Council collaborated with Kingston University; wherein built environment students were sent to visit businesses to undertake energy audits. Using UKSPF, Hackney Council also offered free energy support, Hackney Impact Programme, which supported approximately 250 businesses across their locations. London Borough of Waltham Forest gave subsidies for businesses to adopt cargo bikes as part of a '[mini-Holland](#)' scheme. Although outside London, FSB cited the example of '[Norwich Solar System](#)' project as a leading example of how local government can support low-cost solar panel adoption by a group of SMEs to reduce energy costs.

The interviewed SMEs demonstrated diverse approaches to adopting green technologies. While some enterprises integrate green technological innovation into their core business offerings from their outset (e.g., Colorifix categorised as 'Green Born'), others—such as BIZ—have transitioned to adopt green technologies primarily in response to cost considerations and pragmatic decision-making to, for instance, meet changing customer requirements in their journey to become more sustainable.

Spotlight 1: BIZ

Originally founded in 1816, [BIZ Engineering](#) and [BIZ Karts](#) (founded in 1994) is an Enfield-based family-owned manufacturing business specialising in metal products, including commercial go-karts and components for industries like food processing and nuclear power. The company operates a 45,000-square-foot facility with around 80 employees.

It remains a family-run business, committed to local production and adaptable, in-house manufacturing processes, which increasingly focus on electrifying both their processes and products (e.g. electric karts).

BIZ has self-funded most green practices such as solar panels and other sustainability-enhancing processes to improve their processes.

⁴ Note that, to the best of our knowledge, no Support Recipient as part of our sample accessed this support.

3.2.3 Grants, Match Funding and Access to Finance

SME green funding is typically small-scale, targeting micro enterprises (1-9 employees) through local authority grants (£1,000-£15,000, often under £5,000) for activities like retrofitting and renewable energy.

Some business support recipients like Club Zero, SomeGrub, Hybrid Energy Solutions emphasised the importance of early-stage grants, while others like BIZ Engineering and Karts were unaware of or avoided external funding due to concerns over equity loss or debt.

Spotlight 2: Hybrid Energy Solutions

Hybrid Energy Solutions is an innovative start-up that has developed a heatsink that prevents solar panels from overheating hence improving efficiency. They have been successful due to the support they received from Sustainable Ventures and initial grant from LSBU. This has assisted them to develop green products for export markets. Currently they employ 5 full time people and hoping to recruit another 10 (both UK and Nigeria).

A standout initiative is the London Borough of Sutton's green business rates programme, offering up to 70% reductions for green investments aligned with the Energy Technology List (ETL). Other notable financial support includes equity investment from Sustainable Ventures for green innovative start-ups and the publicly sponsored Department for Energy Security and Net Zero (DESNZ) [Clean Growth Fund \(CGF\)](#)⁵, which invests into innovation scaleups (see also Spotlight 2: Hybrid Energy Solutions). These investors are based in London but are offering UK-wide financial support to potential high-growth SMEs (the latter in the Series A+ stage of development finance). Equity finance for green innovation can be considerable (upwards of £1m) but only targets a very small number of high growth scalable start-ups. For example, CGF only fund a handful of ventures each year.

3.2.4 Funding for Collaboration and Supply Chain Development

A key emerging focus of central London support providers like London & Partners and Heart of the City, which are funded through private corporate sponsors from the City of London, is to assist SME scaleup and growth. These support agencies highlight the growing demand for green supply chain support services, which bring together large firms with green procurement requirements and smaller businesses that can adapt and meet these requirements. In such cases, the service providers are conduits to potential private supply-chain investment opportunities for SMEs (similarly, see [Heathrow's LiftOff programme](#), which offers SME innovators opportunities to develop and scaleup greener services to the airport). Private sponsored providers such as Heart of the City and London & Partners also point to the Corporate and Social Reporting pressures on their large business sponsors, which aim to support BAME⁶ and underrepresented founder start-up and development support initiatives.

⁵ £20 million of BEIS funding to support a new clean technology early stage investment fund

⁶ BAME: Black, Asian and Minority Ethnic

3.2.5 Infrastructure Development

Infrastructure development as a type of business support is mainly around capital investment leading to development of physical infrastructure aimed at supporting sustainability initiatives. These projects are generally both costly and complex as they require cooperation with different councils and private sector actors (e.g. planning departments and developers). However, besides the implementation barriers, they hold the potential to build long-term capacity for supporting SMEs and substantially transitioning London's green economy.

Some of the respondent organisations made significant investment for enabling businesses to reduce their emissions and adopt sustainable practices. Notably, although some of them are still in the planning stage, these include the establishment of a [circular economy hub by London Borough of Hackney](#), which will allow businesses in the construction sector to reuse and recycle construction waste. Furthermore, there are also plans to set up Europe's largest sustainability workspace for start-ups, through the establishment of the Sustainability Research Centre at the University of East London.

The call for better infrastructure provision was echoed by support recipients (Section 3.10). Here, they highlighted the importance of providing an improved 'shared infrastructure, that is, affordable physical spaces to, for instance, mitigate challenges related to landlord-tenant dynamics, among others.

3.3 Drivers and Barriers in Adopting Sustainability Initiatives

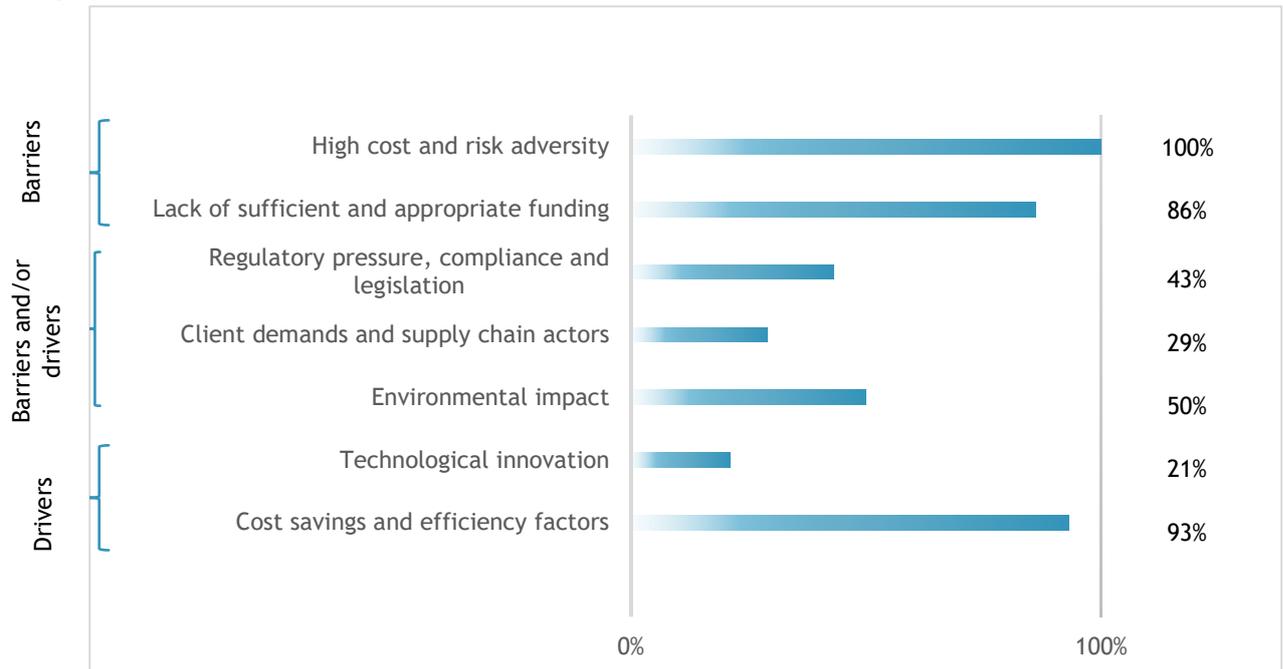
One of the core purposes of this research is to understand what drives SMEs to adopt sustainable initiatives along with the barriers that are preventing them to go green. Knowledge about this will be extremely beneficial in design, delivery and monitoring of green support programs. For ease of understanding, factors under similar themes were grouped. For e.g. Cost Savings and Efficiency factors were grouped together as most of the recipients quoted both as drivers for embarking on green initiatives.

The analysis identified seven main barrier and driver themes from the responses, including:

- a. *High cost and risk adversity;*
- b. *Lack of sufficient and appropriate funding;*
- c. *Regulatory pressure, compliance and legislation;*
- d. *Client demands and supply chain factors;*
- e. *Environmental impacts;*
- f. *Cost savings and efficiency factors; and*
- g. *Technological innovation.*

Figure 2 summarises the factors that currently advance or hinder SMEs in investing in green initiatives. Note that some factors (e.g. *Client demands and supply chain actors*) can pose barriers *and* operate as a driver.

Figure 2. Key Barriers and Drivers to Advancing the SME Transition to a Green Economy (mentions located on x-axis indicate mentions in % across 14 support recipient interviews).



As stated earlier in Section 2 on page 7, SME recipients were broadly grouped into three groups - Green Born, Green Ambitious and Green Enforced. We could see these firms' perceived drivers and barriers differently. For example, *Regulatory pressure* was cited as the biggest driver for adopting sustainable technologies by Green Enforced business, whereas *Environmental Impact* was the biggest driver for Green Born organisations. Although it is difficult to make broader generalisations due to the limited sample size, this insight can serve as useful starting point in designing green transition programmes.

3.3.1 Barriers

High costs, risk aversion, and lack of funding remain the most significant barriers to SME green transitions. Many SMEs operate on thin margins and are often focused on short-term survival, leaving little room for investment in green technologies. This is even more the case in times of crisis. Additionally, rapid advancements in technologies such as solar panels, electric vehicles encourage a wait-and-see approach (vs 'first-mover advantage'), as businesses hesitate to commit to solutions that may soon become outdated. There is also a prevailing expectation that government funding will eventually become available, further delaying proactive actions.

3.3.2 Drivers

The primary driver for SME green transitions is *cost savings and efficiency gains*, reflecting the key motivations but also the economic pressures and uncertainties faced by SME managers. This highlights the critical need for a strong business case to justify green investments and the importance of external funding support.

Regulatory pressures, compliance and legislation, pressure from supply chain actors are emerging as key influences, although they have yet to be fully realised across

the SME market. However, *client demands* and *supply chain pressures* are gradually increasing, creating a mix of top-down regulatory requirements and bottom-up market forces that drive change. As noted before, these can also cause significant barriers for businesses that are not able to adhere to newly introduced compliance and legislation and/or supply chain pressures.

Cost savings, efficiency improvements, and technological innovation are also major drivers. While green technology adoption can enhance competitiveness, SMEs remain cautious due to uncertainty about value and perceived high costs. As a result, immediate cost savings and efficiency benefits are the most compelling incentives, offering low-cost solutions that provide short-term survival strategies while gradually enabling larger green investments.

3.3.3 Both a Driver and a Barrier

Environmental impact is both a motivator and a challenge. While some SMEs are value-driven and committed to sustainability, others see environmental requirements as a costly obligation rather than a strategic opportunity. In fact, for half of the SMEs interviewed, environmental concerns are not yet a priority.

Deeper analysis also identified good practice attempts to align SMEs' environmental values and motivations with economic and/or financially informed factors such as efficiency and resource savings. These typically involve attempts to engage in circular economy practices, electrification of business operations and the pro-active attempt to influence suppliers and even upstream supply chain actors, including clients to adopt more sustainable practices through codes of conduct.

3.4 Accessing Green Finance Support

Following sections 3.2.3 and 3.2.4, this section delves deeper into key points relevant for SMEs accessing green finance.

A key distinction exists amongst service providers - some provide direct access to finance whereas others focus solely on advice and training. For example, Heart of the City offer a well-funded free programme of online support for London-based SMEs, which is heralded as state of the art for low carbon training. However, they do not provide finance or even direct signposting to finance providers. Instead, they direct support recipients to independent web platforms such as 'MakeMyMoneyMatter' or government supported SME Climate Hubs. This is similar to the approach of banks, when they are unable to lend. For example, many UK high street banks signed up to the [Bank Referral Scheme](#) are 'pledged' to direct rejected SME borrowing applicants to trusted independent platforms such as [Funding Options](#). However, the onus is on the SME to request and accept disclaimers on the bank's referral. In this respect, the emerging research in the field argues that there should be greater emphasis on banks ensuring that they refer SMEs and for the independent platforms to keep abreast of the latest public funding scheme options. For example, the bank referral mechanism in London through third party advisory platforms should be sufficiently integrated to refer applicants to key London grant funders such as Green Business Action to deliver financial solutions. This is in the interest of the banks who are concerned about reducing their scope 3 carbon reporting in relation

to their SME client portfolios. Furthermore, [many grant funds operate retrospectively or through blended matching private funding contributions](#), which banks or other alternative lenders can assist.

SMEs reported a variety of ways they funded their ambitions and growth trajectories. The necessary financing of more sustainable businesses follows a non-traditional, arguably, often patchwork-type approach. Colorifix - as discussed on page 14 - is a biotechnology company that uses a biological process fix pigments into fabric. Their sustainability initiatives have been funded through multiple channels, including grants from Cambridge University, the EU, and Innovate UK, as well as private investments from high-net-worth individuals and corporate backers like H&M and Regenerate VC. Similar observations were made with Hybrid Energy Solutions who are still in a start-up stage. In contrast, established, often family-owned firms like Biz-Engineering self-funded their solar power project enabled through their surplus funds which allowed them to (re)invest in green practices. This is supported through consistent findings from the [UK Longitudinal Small Business Survey](#) that start-ups and smaller businesses are more likely to require external financing to support their green growth.

SME green transition funding typically comes in the form of small grants of between £1,000 to £15,000, which are entirely dependent upon the size of the external grant funding body allocation and the duration of the programme. The largest allocations have come through London-wide initiatives operated by the Mayor and prior EU funding⁷ such as Better Futures and ReLondon's circular economy grants for mainly micro-SMEs. Additionally, a small number of local authorities have secured SPF place-based funding for net zero initiatives, retrofit and circular economy activities.

In general, most support recipients emphasised that small grants are crucial during the early stages of their operations, particularly for proving their concept. At this stage, non-financial support—such as mentoring and connections with key industry gatekeepers—also plays a vital role in helping particularly smaller SMEs to establish themselves within the broader green business ecosystem.

Organisations like the Federation of Small Business (FSB) and West London Chambers of Commerce (WLCC) do not offer direct financial support for SME green transition, but they form an important part of the outreach network of grant funding bodies and provide their members opportunities to attend specialist green finance events and signposting to programmes.

Here, the FSB explained that “...London has some good grant schemes for retrofits. However, finding the right finance options for micros [businesses with less than 10 employees] can be tough. Sometimes SMEs just need small pools of low-cost loans or grants to tip the balance in favour of action... Businesses need to see the cost advantages from examples of energy efficiency savings. The energy sector does promote this change and are probably the main actor for change.”

⁷ European Regional Development Funds (ERDF) which were ended in 2023, after Brexit and replaced by UKSPF

3.5 Equity Finance as A Tool for Accelerating Green Innovation

Equity innovation funders comprise of organisations that offer financial support to start-ups and projects in return for an equity stake (i.e., share of business ownership) and expectation of substantial positive return on the later sale of that equity. Due to their networks and financial prowess, they play a pivotal role in London's ambition to advance its low carbon economy.

Typically, [equity investors offer early finance investment, absorbing risk by investing in higher risk potential high growth ventures at development stages prior to the availability of \(bank\) debt finance](#) and accelerate technology development. A DESNZ [report](#) indicates that early-stage investment in UK cleantech companies has risen from £163M in 2017 to £420M in 2021 presenting a 158% increase. In 2024, the UK attracted £1.009 billion in early-stage investment (Seed funding + Series A funding). Although it is difficult to extract London based data, it can be safely assumed that London would have attracted around 50% of the investment. Many business support providers like London & Partners, Grow London Local, West London Chambers of Commerce have built relationships with investors to link businesses and investors.

Evidence from the recent Enterprise Research Centre (ERC) [UK SME early equity report](#) suggests that London has a mature, well developed equity investment ecosystem network of accelerators, business angels and venture capitalists (VCs), supported by green equity investor informants such as Sustainable Ventures and Clean Growth Fund (CGF). However, there is also persistent evidence (e.g. ERC report, 2024), indicating that London's investor network requires further adaptation to keep up with the growing demand for innovation finance, including green innovation. A positive case in point is Lambeth Council's sustainable incubator space, which has attracted £600M of external funds, 49% of the companies supported by [London and Partners raised investments totalling £580M](#).

Another notable actor currently providing effective support across London is Sustainable Ventures (SV). SV is a leading London-based support organisation which finances start-ups and scale-ups, leveraging links with national grant funding agencies like Innovate UK and connections with equity investors that will provide risk finance for earlier stage SMEs, such as business angels, VCs and corporate VCs. An important service that SV offer is their highly effective 'no win, no fee' grant writing service. SV's insights indicate that London's early-stage green innovation incubation, accelerator and scale-up market for start-ups, ranging from pre-seed to series A plus (i.e. from venture concept to early commercialisation), is well connected and functioning: *"We have an excellent relationship with London's equity investment ecosystem of public and private investors."* This includes the Mayor's Better Futures programme, Carbon Trust, and Lambeth Council with whom SV are working on a large SME net zero transition programme focused on CleanTech pioneers.

Moreover, London & Partners provide good linkages with corporate investors for (more established SME) scaleups. A key observation here is that whilst central London is very well connected (particularly in Tech City, King's Cross and extending West to White City), more outreach work could be done to achieve better equity finance

across London's sub-regions and outer areas. The latter point is critical to London's green sector growth, since outer London areas, like London Borough of Enfield (in the M11 growth corridor), have considerable space for development which could accommodate scale-ups:

“SMEs in London are aware of grants and equity if they are potential high growth innovators, although they may not be correctly prepared to find and access funding, so investment readiness is critical [as exhibited by SVs grant finder success rates]. There is scope for more public funded support in this area. Additionally, the vast majority of established London SMEs, whilst aware of net zero, have little awareness of the cost benefits of change and opportunities for designing and funding new innovative services and products. Far more could be done to stimulate this change through public funding and encouraging leveraged private finance” (London & Partners).

3.6 Green Procurement and Supply Chain Finance

Green procurement is the process by which organisations purchasing goods and services include environmental minimising impact measures such as low carbon within their purchasing decision making. This has been recognised by private sector support providers such as Heart of the City and London & Partners as one of, if not the most, important training and advisory requirements for London's SMEs. FSB reported that their recent evidence suggested that “69% of members do not know where to look for help on green procurement.” Tier one larger businesses, which report on their environmental impacts are increasingly requiring their SME suppliers to report on their environmental credentials, as part of their scope three carbon reporting (similarly to the banks and large financial institutions).

This includes carbon reporting mechanisms and other sustainable initiatives underpinning business practices relevant to compliance and beyond, offering a competitive edge.

Best practice work in this area is exhibited by Heart of the City and London & Partners, who seek to bring together large businesses with potential SME suppliers. In this way workshops and events can raise issues about green supply-chain requirements (e.g., accreditation and environmental impact measurements, including preferred carbon trackers) and promote SME innovations and scale-ups. Here, a major programme mentioned⁸ is Heathrow's LiftOff initiative, which is a pitching competition for SME innovators to win contracts working with Heathrow Airport.

Heart of the City referred to leveraging more support and input from their 100 plus corporate partners to develop more green procurement events and potentially to finance SME green supply chain solutions. London & Partners are increasingly working with their large business partner network to connect scaleups from their programmes like Grow London Local to support sustainable procurement. This is required since “SMEs are not aware of net zero opportunities and financing options,

⁸ Reviewed by Middlesex University's NERC IFB SME Nature Positive Finance project (2023 - ongoing)

strengthening Heart of the City's role and importance in tackling the lack of existing awareness through their outreach efforts. Additionally, NatWest mentioned that they are able to offer more attractive financing (e.g. slightly lower interest rates and reduced set-up costs) to green SMEs that are transitioning into large business supply chains, noting their desire to work more with supply-chain related financing through, for example, agrifood arrangements with companies like Tesco and McCains that can guarantee the SME supplier contracts to secure the lower cost lending.

4. Social and Environmental Impact Measurements

In this section, we examine the types of environmental impact measurements deployed by London's business support agencies. These data approaches are important, since they are the basis by which UK Government and organisations can track efforts to meet climate and biodiversity targets, such as those relating to the ['London Growth Plan'](#) and the need for clear net zero planning targets to attract financial capital⁹.

Although carbon trackers focused on reducing direct low-carbon impacts are increasingly prevalent, initiatives addressing delayed or systemic impacts remain comparatively neglected. Many programmes rely on small numbers of qualitative case studies rather than systematic measurement. Data collection from small businesses—many of which lack the time and resources for detailed carbon audits—is particularly challenging. This issue is even more pronounced when measuring a broader range of environmental metrics, such as Scope 3 carbon emissions, circular economy practices, and biodiversity impacts. Additionally, social and green growth impacts related to the Just Transition are inconsistently captured, largely due to a lack of standardised performance measurement requirements and insufficient investment in tracking longer-term outcomes such as training and employment.

4.1 Traditional Environmental and Social Impact Measurements

Support programmes are typically focused on simple, large output metrics that align with their underlying theory of change models. Much of the data shared during our interviews reflects this emphasis such as the London Borough of Waltham Forest newsletter reaching 12,000 local businesses, SV supporting more than 5,000 SMEs since 2011, and London & Partners reporting the creation of over 90,000 jobs through a combination of inward investment and scale-up support. [London & Partners](#) also place strong emphasis on the gross value added, or GVA, as an indication of London's economic growth generated through their business support activities. Although this is a tangible way of demonstrating impact, they adopt a survey-based approach for measuring the impact. Although this is practical this is less robust when compared with using actual revealed numbers. Moreover, they do not explicitly measure environmental impact.

In contrast, far less attention has been given to the actual measurement of environmental impact, which presents problems in terms of meeting science-based targets (SBTs) and establishing actual change outcomes over time. As several local

⁹ See London Growth Plan, page 92

authorities mentioned, SME green transition support finance programmes are often short-lived, area-based initiatives formed out of relatively small-scale funding, which rarely allocate funding for extensive follow-up impact monitoring on completion of programme delivery. Data collection pitfalls such as inconsistent client data collection and “*shoestring budget staff changes*” can lead to inconsistency and discontinuity of data collection. The London Borough of Hammersmith and Fulham highlighted the reluctance of under resourced SMEs to engage in providing data and using carbon trackers to indicate their climate impact, “*resulting in low take-up of grant programmes.*” In contrast, some more forward-thinking companies, such as Santis Global, described how pressure from key clients and stakeholders has driven their broader sustainability ambitions. This has deepened their commitment to carbon accounting and other environmental measurement approaches. These businesses are showing a growing awareness of how measuring environmental impact can support investment in emerging green markets and generate new forms of trade and income.

Public sector actors often lack access to reliable data, making it challenging to identify where support mechanisms could be most effectively deployed. As a result, programmes tend to focus on areas where user outputs and environmental impacts are more easily measurable, such as energy carbon calculations including energy audits for premises retrofit programmes. Where environmental calculations are more difficult, such as for biodiversity this typically leads to reliance on time-consuming qualitative case data, which is difficult to compare across contexts and does not readily support the establishment of clear baselines. Yet, London & Partners stressed that demonstrating London’s green growth through metrics like the aspirational [London Growth Plan](#) are attracting forward thinking, green growth-oriented businesses into London. This suggests that the challenges of improving SBTs and the monitoring of the wider environmental impact of SME green support and finance programmes is a worthwhile investment into delivering London’s future green growth.

Besides environmental impact measurements, we also attempted to explore interviewees’ concerns and existing actions regarding the [Just Transition](#) which aims to ensure that the shift to a low-carbon economy is fair, inclusive, and equitable. However, the focus of measurement on Just Transition outcomes is variable and inconsistent and - especially support recipients - often felt less secure when discussing Just Transition. Interviewed programme managers and stakeholders referred to measuring for example the numbers and proportions of women and BAME supported. In contrast, some of the support providers have incorporated Just Transition measures as part of their public assisted SME green transition and finance programmes. Notably, Heart of the City and London & Partners run specific corporate programmes targeted at supporting BAME. [SV, who have supported over 5,000 SMEs since establishment in 2011](#), record equality, diversity and inclusion (EDI) and state that 65% of investment has gone into female and underrepresented founders, with 45% of workspace allocation to women founders and 98% of investment and support going into sustainable verticals. They also point to programmes like [Lambeth Zero](#), which links net carbon reduction with demographic measures of entrepreneur,

gender, ethnicity and financial background, as well as ongoing funding leverage and standard business performance indicators (e.g., jobs and revenue). Notwithstanding, there seems to be a need for more tailored support, highlighting the need and urgency to drive Just Transition measures.

4.2 Net Zero Accounting Measures

There is widespread agreement that net zero carbon accounting is now well established for SME green transition support programmes. For instance, [Heart of the City](#) stated that the 200 businesses that went through their programme of support during the last three years had committed to action plans representing 36,000 tonnes of CO₂ (using their standard tCO₂e carbon tracker calculation). Other examples include, support offerings from banks such as [NatWest](#) whose Springboard report points to a £100bn pledge to address SME low carbon ambitions and [Lloyds](#) who have a green building tool and are providing carbon tracking tools to enhance their SME portfolio's decarbonisation and environmental reporting efforts. However, there were still calls from interviewees such as the FSB for more clarity about the appropriate forms of carbon accounting for smaller businesses that often have limited resources for such audits.

Green Business Action use an CRM system for delivering Future Business Programme. The goal of this program is to support 1000 companies by March 2025. The CRM system monitors the number of businesses assisted along with the outputs and outcomes of their support which is mainly around energy efficiency and SME decarbonisation. The programme is short-term and the ongoing monitoring upon programme completion will have to be managed by the GLA. This highlights the need for longer term commitment to the support and monitoring of SMEs, if real gains are to be achieved, measured and promoted (i.e. through best practice cases).

We observed attempts from some support providers to enact a more cohesive approach, offering greater clarity and applicability to support and monitoring SME advances. For example, a pioneering actor in the field is Green Business Action who have an extensive CRM system, required by the GLA for programme management of the Future Business programme until its end in March 2025. This monitors the numbers of businesses they assist - with a [target of approximately 1,000 by March 2025](#) - and the outputs and outcomes of their activities, which are to improve energy efficiency and decarbonisation of SMEs. The focus is on carbon reduction planning, using Climate Essentials carbon tracking tool to monitor SME performance. The programme is short-term and the ongoing monitoring upon programme completion will have to be managed by the GLA. This highlights the need for longer term commitment to the support and monitoring of SMEs, if real gains are to be achieved, measured and promoted (i.e. through best practice cases).

4.3 Other Innovative Measures

The London Borough of Sutton has a more advanced approach to SME green transition support, related to case-by-case assessment through '[Green Mark](#)' accreditation, which aligns with the [borough's broader environmental impact aims](#). This challenges SMEs to examine not only their carbon footprint and pathway to net zero but also enhance their protection of biodiversity. The linking of this programme of work

alongside the London Borough of Sutton's business rate discount programme for SME green transition marks a notable best practice approach for other boroughs to follow.

Heart of the City, leading London experts in SME decarbonisation, find that circular economy and biodiversity are disproportionately harder to measure. They offer an online training awareness video on nature positive but agree there is more to be done. SV use ['FuturePlus'](#) carbon tracker and are currently working with this organisation to improve a range of metrics including circular economy and biodiversity. However, a downside is that the cost of more advanced environmental measurement tools is prohibitive to their take-up. Furthermore, SV point to a major problem where without the required wider environmental SBTs, SV and other organisations will be reluctant to run projects that will fail to be able to deliver on demonstrable environmental impacts.

Public assisted investors like SV and the Clean Growth Fund, are subject to public policy monitoring requirements to demonstrate their environmental impact and contribution to public good. However, a problem for these early-stage investors is to demonstrate the impact of the portfolio venture cases. CGF undertake carbon impact screening and monitoring but also consider environmental impact assessment of proposed commercial building and circular economy audits on business cases with strong CE focus. The main downside is the cost of such reports and they are only undertaken where absolutely necessary. Furthermore, carbon accounting is applied with a view to the net environmental impact benefit of the proposed business model over time, which can be calculated as a tCO_2e per unit saving on current or projected industry baselines. These are, of course, highly speculative, but are monitored regularly alongside financial performance and can flag remedial support issues as well as helping to align ventures for further impact investment.

Another notable example is ReLondon with their focus on the circular economy. Their initiatives have supported over 700 SMEs since 2017, aiming to reduce waste in food, textiles, packaging and built environment, adopting the [Accenture Sustainability model](#). Essentially, they carbon track material savings (tCO_2e) in projects supported, such as Southwark High Street where one-to-one sessions with SMEs lead to redesign and scale-up projects, assisted by small grants. They recognise, as with most programme evaluations, that carbon waste measurements are cross-sectional snapshots and lack longer term impact recording.

5. Key Challenges

In this section we summarise the key challenges to delivering SME green finance and related support services in London, as presented by the support provider interviewees.

5.1 Lack of Stable Longer-Term Funding

A common theme amongst the local authorities and service provider organisations, which are predominately public funded, is a lack of funding for programmes. This is exacerbated by a current lack of longer-term public funding, following the end of the [EU's European Regional Development Fund \(ERDF\) programmes](#) and the phasing out of the UK Shared Prosperity Fund (UKSPF) as well as the lack of clear equivalent

successor of growth/business support fund. The replacement UK Shared Prosperity Fund has been short-term and relatively poorly funded, with uncertainty around what future public funding might be made available. This uncertainty and lack of a longer-term funding framework led to inefficient use of funds, which are applied to set-up and (frequent) change of services costs and also a failure to adequately fund and support longer term impact evaluation frameworks to effectively demonstrate what works. As such, there is no clear successor green business growth fund, which would align with the London Growth Plan.

5.2 Impact of Economic Constraints in Promoting SME Green Transition

The UK, including London, is currently facing a challenging economic environment marked by relatively low growth and high interest rates, alongside public policy uncertainty, particularly due to repeated government backtracking on green initiatives. These factors make it more difficult to promote support services for SMEs transitioning to greener practice. Moreover, SMEs transition to greener practice often gets deprioritised since many operate in survival mode. A clear message is that services need to be promoted, which offer easy accessibility to information and trusted sources, alongside clear demonstration of the business bottom-line economic cost savings for introducing green equipment and practices. With energy and water costs likely to remain high, linking the SME green transition to efficiency and cost savings - particularly through more localised collective energy markets such as those promoted in the East of England by [Norwich Solar System](#) offers a strategic pathway to greater engagement.

5.3 Lack of Green Skills Energy Audit Resources to Deliver Transition

Green Business Action and local authorities like London Borough of Hackney that are delivering SME green transition services and financing packages are hampered by a shortage of reputable energy auditors and retrofit support services to deliver business transition programmes.

5.4 Lack of Opportunities for SME Green Procurement

SMEs need better quality information about the procurement requirements of larger business along with guidance on their access routes. This can be accomplished by offering a localised service provision which can favour London's SMEs. Many support recipients emphasised the need for relevant, timely, accessible information to help them advance their green efforts, noting that such guidance is currently lacking.

A major barrier is the lack of SME connection with larger businesses and the need for SME service providers to offer such linking services. However, far greater and more effective service provision is required, and this is an area where all local authorities should be active, since they are requiring green procurement practices for tier outsourced service provision.

5.5 Lack of Control Over Premises: Landlord and Tenant Issues

A large share of London's small businesses are tenants (FSB reports most London members rent) and lack control over premises improvements like renewables, insulation retrofits, and other low-carbon initiatives. Similarly, one of the respondents reported that the main issue they are addressing in central London is

landlord and tenant issues, since most central London SMEs are in rented office space. This is seen as an important regulatory requirement, since the financial incentives of improved commercial Energy Performance Certification (EPC) ratings leading to higher value (and therefore rental value) property is not currently leading to sufficiently rapid and extensive landlord investment.

The counter argument was also made that landlords are sometimes obstructed by small business tenant resistance to property disruption and increased rental costs. Both the FSB and Heart of the City concur that more workshops and collective working between landlords and tenants is required to raise awareness of the benefits of greener property to solve these problems. Businesses like Club Zero called for an improved “shared infrastructure” that allows innovative, green SMEs to “do the right thing” and help advance the green economy and the wider green transition. That is, they see an important role in offering low-cost physical space to circumnavigate existing landlord and tenant issues, or intermediation to overcome said barriers.

5.6 Lack of Sufficient Cost-Benefit Offered by Current Financiers

There is a strong argument made by private finance, such as banks, that there is plenty of funding available for SMEs to assist their green transition. However, the degree of accessibility and cost savings on smaller loans for smaller SMEs (e.g., micro employer businesses) are often too small to tip the balance in favour of green equipment adoption - even when made available. Moreover, some businesses in our sample avoid bank loans and/or equity finance to remain in control. This could be due to aversion towards debt or giving away equity which is eventually leading to under investment - a trend that is alarmingly persistent in UK SME borrowing data.

In contrast, grants are often small-scale and still incur significant bureaucratic hurdles, meaning that they are unlikely to be attractive to the resource constrained micro enterprises that most require them. As such, they may become the domain of the ‘familiar faces’ of those that always apply and are most able to do so. There is a need for far greater accessibility (i.e., support to ease perceived return) to funding grants and related matched lending from private finance sources in order to persuade (smaller) SMEs to invest in their green transition. It is also clear that, whilst central London is well serviced with public and private funding, outer London boroughs may be less well connected and greater funding outreach is required - particularly to poorer locations and minority entrepreneur groups.

5.7 Local Government Policy Mix Confusion

Local authorities indicate that SME support services are not a high priority, as their focus is more on employment retention than directly supporting small businesses or their green transition. In this sense, local government may be suffering from a lack of cohesion to address bigger issues such as the collective requirement to upskill the green economy and involve SMEs in this key investment. A consistent complaint is the lack of funding for the green skills to address retrofit for commercial properties and private dwellings.

This can only be achieved through an integrated London-wide policy approach, which raises the large investment required to pay for training, service provision and SME

update. This includes addressing landlord and tenant issues within the policy mix framework, suggesting the need for regulation and partnership working with large business and commercial property landlords to more swiftly resolve this.

5.8 Poor Environmental Impact Measurement

Whilst vastly improved data collection and management is required in order to determine the effectiveness of public policy and financing, there is clear evidence that wider environmental impact assessment techniques are rarely deployed because they are expensive and, in many cases, impractical and fail to deliver the required measurements (e.g., circular economy and biodiversity improvements). As one provider put it: “[W]e are unwilling to offer support programmes, which will fail to deliver demonstrable environmental impact.”

These findings indicate that potentially important support programmes will not be offered because the SBTs do not exist. Furthermore, the adoption of new forms of environmental measurement remains prohibitively expensive and impractical for SME support programmes and are thus restricted to niche high cost innovation fund providers like CGF.

6. Recommendations

When asked to identify the key priority support services for London SMEs, support providers and recipients shared a wide range of suggestions. Their responses revealed several key themes and actionable recommendations which has been listed below.

6.1 Establishing a London-wide SME support programme

Overall, the most frequently mentioned priority was to expand SME green business support programmes. This can be achieved both through a singular standardised approach that provides greater accessibility for SME essential energy and retrofit support and financing, and through scaling and replicating good practice specialised local programmes. Green Business Action recommended to deliver a larger London-wide, centrally administered programme, which would drive economies of scale and breadth to address essential issues such as energy savings and retrofit. Notably, this was echoed by SMEs such as Auditel. Here, the introduction of a larger, better promoted, simpler, cost effective, less bureaucratic SME grant applications process is a major priority. The introduction of a London-wide one-stop-shop service (similar to that in Birmingham, where the West Midlands Energy Advice Centre was stressed as a case in point by the [FSB](#)) would go a long way to improving the take-up and delivery of greening London’s SMEs.

A crucial element of this wider scalable plan is a longer-term public finance programme, which offers certainty and improved capability to effectively deliver and evaluate services across London, rather than the current UK SPF shorter-term, arguably, fragmentary and partially inefficient process. Here, one recommendation is to provide a universal business grant for micro employer businesses (e.g., in London), since these are the businesses which are currently most constrained by limited internal financing resources and their inability to access bank finance.

Our findings also recognise the vital contribution of specialist and localised green business support initiatives, particularly for circular economy development. Efforts should be made to scale and replicate good practice initiatives and to embed green support into the mainstream of SME support programmes across London. Key actors such as [London and Partners' London Small Business Strategy](#) team and GLA programmes could consider these insights in relation to delivering the [London Growth Plan](#) and to the recently announced national [Small Business Plan and Business Growth Service](#).

Undoubtedly, funding a centralised SME support platform and grants presents a major concern with the lack of adequate ERDF succession funding provided through the UK Shared Prosperity Fund for a London 'Green Growth' Fund. Such a fund would align with the aspirations of the London Growth Plan and if promoted by London Councils and the GLA to the private sector (e.g. [promoted by the projected £35bn London Green Growth Pipeline programme](#)) could raise substantial investment funding, particularly for attractive solar and energy equipment sales and installations - potentially also funding the less attractive retrofit insulation works. To strengthen and complement such efforts, coordination with Innovate UK could help align its existing and new business support programmes with the green transition, thereby shaping future Grow London support.

While our findings highlight the need for greater coordination and consistency across boroughs, the findings do not advocate for a fully centralised London-wide delivery model. Rather, the intention is to **scale or replicate successful local initiatives**—such as Sutton Council's Green Business Rate rebate or the South London Partnership's Retrofit Skills Centre—so that good practice can be extended across boroughs where appropriate. Certain support elements (e.g., grant application processes, access to finance, or reporting mechanisms) may benefit from pan-London harmonisation to ensure **fair and uniform treatment** for businesses, while retaining flexibility for local, borough-specific delivery.

6.2 Enhancing accessibility to Green Finance and Funding Options

Several support service programmes (public and private) highlighted that it is essential to demonstrate the bottom-line economic business case for SME green transition. This finding is in-line with other recent studies, such as [British Business Bank](#), [Enterprise Research Centre](#) and [Gottschalk and Owen](#). These emphasise that take up of renewable energy and EV has been held back by a lack of clarity and trust in the business case and related financing arrangements. Some initiatives are already under way but require further support. For instance, Green Business Action work with accredited energy advisors who make the case for renewable energy transition, offering trusted advice and also through a programme of supporting grant finance, which can tip the balance in favour of take-up.

6.3 Developing Shared Green Infrastructure

Support recipients also stressed the potential of shared infrastructure offered by local councils to trial solutions, co-create business cases, and generate positive impact in the local community. By enabling SMEs to access shared spaces and testbeds to pilot green innovations. Incentivise landlord-tenant collaboration for

energy-efficient retrofits and regulatory compliance through co-created programmes and investment schemes. Moreover, interviewees emphasised the potential to regenerate highstreets without falling prey to committing to often costly contracts with landlords that do not share the ambition to drive green economy ambitions.

The FSB referred to [Norwich Solar System](#) as a leading example. Here, the local authority is supporting a large-scale programme to address the process by bringing together large and small businesses in a scheme, which offers widespread aggregate economies of scale cost savings with the potential to strengthen the financial case for action. Such schemes also offer significant opportunities and financial incentives to negotiate and overcome landlord and tenant issues and to generate local energy and provide local energy security.

6.4 Developing Green Skills

Several respondents remarked on the lack of available green skills infrastructure within London. The London Borough of Sutton specifically mentioned the important work of the [Green Skills Academy](#) (e.g., South London Partnership's Retrofit Skills Centre one-stop shop for retrofit training and qualifications) in South London. Small businesses can offer an important role in delivering retrofit ambitions to London's commercial and domestic properties, but there is currently a major under-supply of such services provided by SMEs, which needs urgent attention. Notably, GLA-funded [Green Skills Bootcamps](#), such as the one [delivered by London Borough of Hounslow](#), offer important collaboration points with SMEs, helping to bridge local green skills gaps and support London's just transition, which deserves greater attention. Additionally, the need to develop Green Skills was seen as a vital opportunity to reskill and upskill under-resourced and harder to reach smaller SMEs and those which are ethnic minority led, thus fulfilling an important part of London's SME green skills just transition.

6.5 Strengthening Public-Private Partnerships and Green Procurement

The second most frequent suggestion was to improve support for SME green procurement. This was considered the most important requirement to assist London's SME scaleups and was notably raised by private as well as public sector providers. Key recommendations relate to generating greater connectivity between local authorities, corporate businesses and SMEs through improved workshops, online advice and training and outreach programmes. In particular, London & Partners and Heart of the City saw this as an opportunity to assist the scale-up of London's green transitioning and more innovative SMEs, as well as offering an important contribution to their ethnic minority-led SME outreach services.

NatWest mentioned that they are keen to foster corporate backed financing for greening their SME supply chains. They aim to advance this investment model by encouraging larger organisations to back SME borrowing within the supply chain. The underlying concept is similar to invoice financing. This will enable SMEs to obtain lower-cost loans if they can show that the financing will enable them to secure green contracts with large companies. This service can be extended to local authority procurement wherein councils can back SME borrowing within their supply chain.

Eventually this can increase the scope of local procurement and, simultaneously, benefit SMEs.

Indeed, these insights were echoed by support recipient interviewees who stressed the need for connecting with councils and other key ecosystem actors, and the importance to establish closer links with clients through improved communication and the co-creation of solutions as part of the transition towards a green economy.

6.6 Regulation and Support for Landlords and Tenants

A major constraint to SME transition is the fact that many of London's SMEs, particularly in central London, do not own their commercial premises and have little or no control, or incentive, to undertake green property retrofit, renewable energy and EV infrastructure works as part of their green ambitions. Many respondents felt that although they could develop localised services to support landlord and tenants to work together, there is a need for a bigger, London-wide strategic vision operating through a combination of regulation and assistance programme.

6.7 Redefining Environment Impact Metrics

There is a need to provide more rounded business advice and support to enable London's SMEs to understand their wider environmental impacts and to address issues of circular economy and biodiversity. Such matters are often not at the forefront of London's SME services businesses, which may seem far removed from environmental impacts. However, reduction in energy and raw material waste (e.g., proposed by ReLondon) and improved understanding of the environmental impact implications of supply chains are important. Through correct information and management (e.g., via local aggregated solutions, like [Westminster Council's Climate Action Plan](#) and their [new green investment scheme](#)), this can reduce purchase costs and improve investment into the development of greener, lower impact 'buy local' economies. Similarly, Heart of the City aim to promote champions of good practice SMEs like [WeAgile](#), a software tech service in Shoreditch, that have undergone training and [Planet Mark accreditation](#), which validated their services (e.g. via carbon accounting and environmental auditing) to clients and led to processes that saved money and won more contracts, helping to grow the business.

Secondly, to support this green growth process, there needs to be improved support services that allow for an active monitoring and enhanced evaluation techniques to demonstrate to SMEs the benefits of green business models and practices adoption and also support the programmes to justify their delivery. While this is likely to be resource intense, it can provide the necessary processes that allows to both nurture and track green economy ambitions.

It is concerning that some support agencies were unwilling to undertake exploratory pilot green business programmes without clear evidence of their potential success. This hesitance highlights the need for stronger science-based evidence, particularly to support initiatives like biodiversity protection and enhancement. Furthermore, it was reported that the cost of implementing advanced environmental evaluation techniques for such programmes remains prohibitively high.

The London Borough of Kingston suggested to engage in more collaborative work with local universities to assist with programme evaluations and services support, such as SME mentoring through internship projects. However, such university projects should not be taken for granted, as London's higher education sector is under considerable financial pressures and such potential solutions require careful planning and appropriate funding to facilitate strategic win-win processes involving universities, SMEs and, potentially, councils to achieve the positive local green economy impacts desired. Although not mentioned in this research, there is an opportunity for local authorities to engage in more citizen science initiatives across London such as [SERGO's green space initiatives](#), which can bring diverse actors together for building London's Green Economy.

7. Conclusion

London's SMEs play a critical role in the green transition, yet existing support remains fragmented, small-scale, and unevenly distributed, with only a limited number of large-scale public and private initiatives available to SMEs. Overcoming the challenges faced by London's SMEs in the green transition requires a more coordinated and scalable approach. Expanding financial mechanisms, such as larger grants, tailored investment opportunities, and accessible green finance, will help address funding gaps. Streamlining support services and reducing bureaucratic barriers can improve SMEs' ability to navigate available resources effectively. Addressing tenant-landlord constraints through policy incentives and regulatory adjustments will enable greater investment in green infrastructure. Additionally, targeted skills development programmes—particularly in energy audits and retrofitting—are essential to building workforce capacity. In addition, improving measurement frameworks to focus on long-term environmental impact rather than short-term outputs will enhance the effectiveness of green initiatives and drive meaningful progress.

While successful public and private initiatives—such as Sutton Council's Green Business Rate rebate and the South London Partnership's retrofit skills centre—offer scalable models, broader financial and knowledge barriers remain. Notably, equity investment in green innovation is available but remains largely restricted to high-growth ventures. SMEs that receive grants or advisory support demonstrate a higher likelihood of adopting sustainable practices, underscoring the need for more comprehensive and accessible assistance.

The findings of this study also offer direct relevance to the delivery of the London Growth Plan, particularly its ambition to support SME decarbonisation and sustainable growth through targeted investment and innovation. By identifying specific barriers, success factors, and coordination needs within London's SME ecosystem, this research provides an evidence base that can help shape how the [London Growth Plan's "Backing Our Businesses" actions](#) are implemented—ensuring that public investment effectively accelerates SME decarbonisation while promoting a fair and inclusive green transition across the capital.

Despite existing challenges, there is significant momentum and opportunity for London's SMEs to become leaders in the green economy. The growing demand for sustainable goods

and services, coupled with the city's vibrant entrepreneurial ecosystem, provides fertile ground for innovation and collaboration. With the right mix of coordinated support, targeted investment, and inclusive policy design, London's SMEs can not only adapt to the green transition but also but also proactively drive and thrive within it—delivering social, economic, and environmental benefits that extend well beyond the UK capital.

Appendices

Appendix A: Support Providers' Profiles

Name	Type	Sector	Description of key services offered
London Borough of Hackney	Council	Public	Retrofit; Free Energy efficiency audits to shops - delivered through Hackney Impact; Developing a Circular Economy Hub that will act as a test bed for new technologies, Hackney business network supporting local business community.
London Borough of Waltham Forest	Council	Public	They deliver a range of business support programmes targeting fashion sector, have developed green business networks, supported organisations in adopting cargo bikes and installed EV charges in industrial areas and private businesses.
London Borough of Sutton	Council	Public	Delivery of 'London Local' - mainstream business support. There are some elements of sustainability. Essentially, businesses join the scheme, they pay technical assistance for them to achieve a green business accreditation provided by Greenmark. It's a two-year programme: in the first year, business need to do emissions inventory, externally validated and develop a climate action plan through net zero before 2050. 2. A circular economy strategy is being implemented to help residents reduce the amount of avoidable food waste they throw away by 20% by 2025.
London Borough of Lambeth	Council	Public	Lambeth Council offers a range of services aimed at supporting green businesses and fostering sustainability. They provide business support programs, especially targeted at SMEs, through initiatives funded by the UK Shared Prosperity Fund (UKSPF) and collaborations with strategic partners like Sustainable Ventures. They also invest in workspace development and innovative programs to scale green businesses.
London Borough of Hammersmith & Fulham	Council	Public	Hammersmith & Fulham have launched a climate strategy in 2020 aimed at achieving net-zero by 2030. They established the Climate Alliance, which is a network of businesses and organisations working to take climate action and grow the green economy.
London Borough of Kingston	Council	Public	They have established Green Business Community that has a range of large and small businesses, universities and colleges. Run regular free events and meetings that disseminates best practices around waste reduction, Circular Economy and energy efficiency. As member of South London Partnership, they are part of the retrofit skills centre that aims to build capacity. They deliver small grants £2K each for SMEs to adopt green technologies.
Newham Council	Council	Public	Newham Council provides general business engagement through the "Our Newham" Business and Enterprise Team, but this support is not specific to green or sustainability topics.
Federation of Small Business			Membership organisation that signpost and provide information about finance. Most of the businesses are sole traders and micro businesses. They also provide support with legal. Tax and business banking type issues. Their platform helps in finding finance but no specific green finance signposting. They are aware about different type of green finance and barriers they face.
Heart of the City			Established 2000 by City of London Corporation, BoE and FSA, became social enterprise in 2004. Based centrally in City of London, HoC support SMEs in becoming 'responsible' through online

<p>West London Chambers of Commerce (WLCC)</p>		<p>Corporate and Social Reporting course. From 2020 offered Climate actions steps free SME course to City-based SMEs, with charges scaled to SME size for those outside. WLCC has 2000 members and they cover three main boroughs - Ealing, Hammersmith and Fulham. Vast majority of the members are small and micro businesses. They offer free business advice, introductions to other businesses. They run a range of events (around 100) and provide a platform for businesses to network and learn.</p>
<p>London & Partners</p>		<p>Established since 2011. Supporting London's high growth sectors, SMEs, visitor economy. Grow Local London is the arm that supports more standard high street SMEs, but not covered by this interview respondent (separate interview). Key programs: Circular Partnerships, Evo Fashion, Global London, TechBio Boost, GrowMusic</p>
<p>NatWest</p>	<p>Private</p>	<p>Their venture support programme has been running for 9 years. The objective of this programme is to support businesses that demonstrate scale up potential and which have been trading for a period during which they have secured some external funding. Businesses enrolled in this program will go through a structured coaching programme over a period of 18 months, will have access to mentors and potentially get introduced to relationship managers who will help them to secure funds. By providing a structured approach, the participants would be steered them in the right direction resulting in growth. The programme is delivered through a network of partner organisations plus an excellent talent pool within NatWest. The current cohort in London has 80 businesses with a new cohort that will have approx. 220 businesses.</p>
<p>NatWest</p>	<p>Private</p>	<p>SME customer bank finance, since 2020 introduced green finance and accelerator support service. London has a NatWest accelerator for customers - free support to successful applicants - run for 9 years and covers RBS and Ulster Bank network - open to all SMEs, but must open account with NatWest (since 2020 has NZ sustainable business model focus for trading businesses in 1-3-year start-up stage).</p>
<p>Sustainable Ventures</p>		<p>Established in 2011, Sustainable Ventures addresses climate change and sustainability. Key focus sectors: mobility, agritech & food, CE, future energy, building. Work to a ToC of impact chain with focus on climate and sustainable consumption - measuring impact performance of assisted start-ups and scaleups against UN SDGs. SV designs arm - founded 10 companies, invested in 30 and supported 300. Delivered £2.3m grant funded bids.</p>
<p>ReLondon</p>		<p>ReLondon - partnership of Mayor and London's boroughs to improve waste and resource management and accelerate transition to a low carbon circular city. Mission to make London a global leader in sustainable living, work and prosperity by revolutionising our relationship with 'stuff' and helping London waste less and reuse, repair, share and recycle more. Since 2017, assisted 700 SMEs - 60% innovators and 40% adapters in high street retail, hospitality etc. Innovation sectors tend to be materials - 25% food waste, 25% textiles, 20% packaging, 30% built enviro and electricals. Focus on micro businesses - or at least, they tend to be the businesses they support.</p>

Clean Growth Fund	Private	Finance Provider	<p>They use Accenture Sustainability model. In 2022-23 they undertook 40 pilots, 83% LAs engaged, 119 businesses supported, encouraged citizen recycling. They do outreach activities to everyday businesses by working through borough connections. They invest lot of time in engaging local business forums, council groups and engaging London Borough officers to leverage networks. CGF - Established 2020, DESNZ Co-fund operated by Carbon Limiting Technologies (CLT). £20M government and £81M private funded late Seed to Series A cleantech VC. UK-wide coverage, based in central London.</p>
Grow London Local	Public	Business Support Agency	<p>They have 20 Business Support Managers across all boroughs in London who provide triage services and connect businesses with relevant support providers (270). Top requests from SMEs They host a range of workshops and events like coffee Friday morning to reach out SMEs. Apart from the support provided by BSMs, they have AI powered business support tool which can help SMEs in getting relevant business support and advice. We do offer support in bid writing so that SMEs can be part of public sector supply chains. Climate course for SMEs - starting in Sept, we are launching green skills development programme soon.</p>
Green Business Action	Non-profit SME support org.	Public	<p>Established 2021 - non-profit SME support organisation for London sustainability - offering a clear pathway. Aim to support 10,000 London SMEs by 2030. Established 2021. Key areas of business support: cutting carbon emissions, reducing energy bills, expert advice, building business knowledge and skills. Offer grants. Deliver three programmes - Better Futures, TH Energy Reduction Programme, Hackney Impact.</p>
Auditel	Private	Green Business Support	<p>Auditel is a leading Cost, Procurement & Carbon Solutions Company. They help organisations reduce their carbon emissions whilst also reducing their costs. In the current challenging economic climate, organisations are battling with the desire to drive growth and profitability, whilst investing in low carbon emitting technologies to reduce their carbon footprint and speed up their journey to achieving Net Zero.</p> <p>Since 1994, they have built a strong network of over 100 procurement and carbon specialists. Their specialists come from a broad range of professions and industries, giving clients access to an unrivalled level of knowledge and expertise in procurement and decarbonisation. They started as an organization that helps SMEs to buy energy but over the last 10 years, they became carbon focussed</p>

Appendix B: Support Recipients' Profiles

Name	Sector	Size	Description
Hybrid Energy Solutions https://hybridenergysolutions.co.uk/	Renewable Technology	Micro	Established in 2021, they have 3 employees and in Pre-revenue stage. They develop heatsink that prevent solar panels from over heating
IntelliDigest https://intellidigest.com/	Food Recycling	Micro	Founded in 2016, IntelliDigest is a purpose driven sustainability venture with a mission to empower global food systems. Using proprietor cutting edge tech they are eliminating waste food by upcycling inedible food waste for farming nutrient. They offer a one-stop-shop solution to recycling the end of life food production back to farming as an organic nutrient fertiliser - linking food end users and farmers locally. The ventures main product is the 'iDIGEST' which converts inedible food into farm nutrient on a local basis. A key client is NHS Highland, Large hotel chains in Edinburgh.
NappEco Ltd	FMCG	Micro	Founded in 2022, Napeeco is a family-run sustainability venture led by Greg and his wife. The company aims to create the most convenient and eco-friendly reusable nappy on the market. Using high-quality, sustainable fabrics, their product offers a safe, comfortable, and effective alternative to disposable diapers. By eliminating harmful chemicals and reducing landfill waste, they are committed to making a positive environmental impact. Their main product, a premium reusable nappy, is designed for environmentally conscious parents, offering both convenience and sustainability. First-time parents and sustainability advocates form their key client base, with the goal of making reusable nappies mainstream.
Sunlight Systems https://www.humansunlight.com/about	Healthcare	Micro	Founded in November 2020, this family-run business is led by Rob and his wife. The company explores ultraviolet (UVC) technology for disinfection, a germicidal method that effectively sterilises areas. While UVC light can be harmful to humans, the company is focusing on emerging technologies that make UVC safer for broader applications. The business is currently developing a UVC-based hand sanitisation device as an alternative to liquid hand sanitisers. Users can place their hands in the device for 5 seconds to safely disinfect them

Name	Sector	Size	Description
SomeGrub https://somegrub.co.uk/	FMCG	Micro	using UVC light. The company is self-funded and has collaborations with other companies to aid in the development of their product. SomeGrub is an innovative pet food company established in 2021, specialising in sustainable and eco-friendly dog treats. The company focuses on using insect protein as a healthy and environmentally responsible alternative to traditional meat-based pet foods. Their mission is to reduce the carbon footprint of pet food production while delivering high-quality, nutritious products for pets. SomeGrub is committed to advancing circular economy practices by utilising food waste in their production processes and continually exploring new ways to minimise resource consumption and enhance sustainability. Backed by grants and accelerator support from Innovate UK and other organisations, the company aims to lead the way in creating a greener future for the pet food industry.
Paul Vick Architects Ltd https://www.paulvick.co.uk/	Consulting	Micro	Paul Vick Architects Ltd is a sustainable architecture firm established in 2007, offering high-end architectural services focused on commercial builds and retrofits. The firm is led by Paul Vick, an Oxbridge-educated architect with extensive international experience, who emphasises integrating sustainable design principles in all projects.
Forster Communications https://forster.co.uk/	Marketing and Communications	Micro	Forster Communications is a small to medium-sized enterprise (SME) specialising in sustainability communications. Established in 1996, the company works with progressive businesses and international NGOs to communicate their roles in sustainability, both internally and externally. The company operates from a single site in Whitechapel, with a team of 25 people.
Santis Global https://www.santisglobal.com/	Logistics	Medium	Santis Global is a logistics company established in 2014. They specialise in same-day deliveries, overnight services in the UK, and international deliveries. Their core client base consists of law firms within the financial district, including prominent firms in the Magic Circle. With 30 staff in the office and around 60 drivers, the company utilises a mix of diesel vehicles, electric vans, and bicycles to meet their delivery needs.
Isla https://isla.health/	Technology	Medium	Isla is a digital healthcare platform provider, established in 2019 in London. The company offers a platform that enables efficient remote patient monitoring, facilitating healthcare delivery across

Name	Sector	Size	Description
Colorifix https://www.colorifix.com/	Textiles	Medium	<p>multiple specialties. With over 35 NHS Trust clients and a million submissions annually, Isla is rapidly expanding within the UK and internationally. Isla's mission is to create scalable, synchronous healthcare by empowering clinicians with data for informed decision-making and offering patients peace of mind through secure remote monitoring. In 2024, the company became B Corp certified, aligning with NHS sustainability goals.</p> <p>Colorifix is a cleantech company specialising in synthetic bio solutions for textile dyeing, aimed primarily at the fashion industry. Established as a spinout from Cambridge University, Colorifix utilises biotechnology to produce non-toxic dyes. Operating with approximately 100 employees, the company is headquartered in Cambridge with an R&D site at Norwich Science Park and a manufacturing facility in Portugal.</p>
BIZ Engineering https://www.bizengineering.com/	Manufacturing	Medium	<p>Biz Engineering is a UK-based manufacturing business specialising in metal products, including commercial go-karts and components for industries like food processing and nuclear power. Founded post-World War II, the company now operates a 45,000-square-foot facility in Enfield, with around 80 employees. It remains a family-run business, committed to local production and adaptable, in-house manufacturing processes.</p>
ClubZero https://www.clubzero.co/	Recycling	Micro	<p>Club Zero is a UK-based zero-waste packaging system provider focused on food and beverage packaging. Founded in 2017, Club Zero delivers durable returnable packaging solutions on a city scale. The company partners with food and beverage brands, managing the process end-to-end through a deposit-based system that includes delivery, collection, and redistribution.</p>
Greentech; Trovr https://greentech.global/ https://trovrapp.com/	Consultancy; Recycling		<p>Greentech is a tech consultancy driven by the urgent need for impactful, environmental change. They approach this challenge with an approach that locates new technology as a key factor in tackling the global environmental problems we face in attempt to introduce disruptive solutions to the market.</p> <p>Trovr is an app-based solution with the mission to motivate consumers to increase their recycling efforts by offering rewards for making eco-conscious decisions, while also helping the planet to be greener.</p>

Name	Sector	Size	Description
Toast https://www.toastbrewing.com/	Food & Drink	Medium	Toast Brewing is a UK-based social enterprise dedicated to reducing food waste by crafting beer from surplus bread. Founded in 2015, Toast prevents food waste and diminishes the environmental impact associated with beer production. The company has rescued over three million slices of bread since its inception.

Networking and Knowledge Transfer	Networking Events and Newsletters	Most of the organisations offer networking services through regular events and coffee mornings. However, not all events are centred around green issues and sustainability.
Energy Audits and Green Technologies Grants and Match Funding	Triage Services	Programmes like Grow London Local offer online triage services connecting service providers and businesses. Although they have been successful in reaching thousands of firms, requests around sustainability and green transition are not common.
	Training	Few companies like NatWest Accelerator offer a structured development programme for businesses to scale up their operations (sustainably). LB Waltham Forest offers free cycling repair qualifications. Other organisations like West London Chambers of Commerce provide ad hoc events around sustainability and carbon literacy.
	Energy Audits	Kingston Council collaborates with Kingston University for undertaking free energy audits to SMEs. Hackney council and Waltham Forest also delivered similar support services.
	Green Technologies Grants	Installation of electric charger points, vouchers for cargo bikes, free energy monitoring devices, eco-bulbs, heat pumps. Grants include vouchers for installing energy efficient devices and match funding for larger amounts.
Collaboration and Supply Chain Development Infrastructure Development	Green Finance Business Rates	Loans, Equity into cleantech. London Borough of Sutton business rates subsidy for SME ETL green transition investment.
	Heathrow Lift off program	Matchmaking SMEs with large organisations and public sector organisations towards the development of a sustainability-oriented solution and supporting SMEs to be a part of larger supply chain.
	Circular Economy Hub; Research centre; Incubator space; Skills development centre	Lambeth Council has developed the largest start-up space for cleantech start-ups, London Borough of Waltham Forest in collaboration with Royal Docs have invested in a sustainability research centre at University of East London, London Borough of Kingston has implemented a £635,000 retrofit skills development centre.

