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DRAFT REPORT

on green growth and business opportunities for SMEs
(2014/2209(INI))

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on green growth and business opportunities for SMEs (2014/2209(INI))

The European Parliament,

- having regard to its resolution of 5 February 2013 on improving access to finance for SMEs¹,
 - having regard to its resolution of 15 January 2014 on reindustrialising Europe to promote competitiveness and sustainability²,
 - having regard to the Commission Communication entitled ‘Think Small First’, A ‘Small Business Act’ for Europe (COM(2008)0394),
 - having regard to the Commission Communication entitled Review of the ‘Small Business Act’ for Europe (COM(2011)0078),
 - having regard to the Eurobarometer Survey on SMEs, resource efficiency and green markets (Flash Eurobarometer 342), and the Eurobarometer Survey on the role of public support in the commercialisation of innovations (Flash Eurobarometer 394),
 - having regard to the Committee of the Regions opinion (adopted during the 109th plenary session of 3-4 December 2014) on the Industrial Policy Package,
 - having regard to Rule 52 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, Research and Energy and the opinions of the Committee on Budgets and the Committee on Regional Development (A8-0000/2015),
- A. whereas SMEs account for more than 98 % of Europe’s businesses and provide more than 67 % of jobs in the Union; whereas they constitute the backbone of the European Union’s economy and are important drivers of European long-term economic growth and sustainable job creation opportunities within the 28 Member States; whereas they thus play an important role in the industrial ecosystem together with mid-cap and multinational companies;
- B. whereas at the moment, the global market for environmental goods and services is estimated at 1 000 billion per year, and it is estimated that this amount will double or even triple by 2020, creating tremendous opportunities for Europe’s SMEs and economic growth in general in the EU;
- C. whereas the European Union committed itself to reindustrialising Europe by investing in and supporting the principles of sustainability, competitiveness and innovation;

¹ Texts adopted, P7_TA(2013)0036.

² Texts adopted, P7_TA(2014)0032.

- D. whereas enabling SMEs to transform environmental challenges into economic opportunities while acting sustainably is one of the principles of the Small Business Act, but whereas there has been no significant policy progress and SMEs often face inconsistent policies when commencing business and implementing environmental standards;
- E. whereas the pressure for SMEs to comply with environmental standards will increase both from the market and from legislation;
- F. whereas despite recent efforts, SMEs continue to have difficulties with access to finance and whereas EU programmes still fall short of significantly contributing to innovation;
- G. whereas small companies gain proportionally more than large entities from actions to improve resource efficiency and should receive more policy attention; whereas the potential gross benefit of improving resource efficiency is 10-17 % of turnover, depending on the operating sector;
- H. whereas the focus is primarily on high-tech SMEs that directly deliver green innovations, but there is a need to support other companies which wish to comply with environmental regulations; whereas eco-innovation might be an idea for a new company, but also a measure to improve existing businesses within the framework of the green economy;
- I. whereas although there is no internationally agreed definition of green growth, there is consensus that it is a combination of economic growth and environmental sustainability;

General issues

1. Notes that the concept of green growth and the opportunities arising from it relate to various sectors such as the circular economy, energy efficiency, resource efficiency, renewable energy, waste management, cradle to cradle; points out the considerable economic potential of these sectors;
2. Stresses that green growth should be put in a broad perspective, and should include efforts deployed throughout the whole value chain and across the entrepreneurial ecosystem, including efforts by industrial manufacturing players to reduce the ecological footprint of their products, production processes, business practices and services;
3. Highlights the fact that our economy will need to provide for an ever growing population – 9 billion people by 2050 – and that our natural resources are limited and therefore should be used in a very efficient way; points out new innovative solutions to these challenges such as new products, production processes, business practices and services, and a new supporting legal framework;
4. Reminds the Commission and the Member States that SMEs across Europe are very heterogeneous, ranging from very traditional, family-run businesses to fast-growing enterprises, high-tech firms, microenterprises, social enterprises and start-ups, and that approaches to assisting them must be equally diverse;

5. Believes that the EU needs to drastically change its entrepreneurial culture in order to contribute to economic growth by having more people starting up their own businesses and seeking more businesses opportunities, including in green growth, and by accepting failure and risk-taking; emphasises the importance of putting this issue at the centre of policy making; calls on Member States to cater for a softer landing after business failure, for instance by modifying bankruptcy laws to allow people to start up a new business soon after failure of a previous venture, especially in new and innovative sectors;

Financing of green initiatives

6. Points out that in the current circumstances where insufficient access to appropriate sources of risk capital, particularly in the early stages, continues to be one of the most significant constraints on the creation and development of growth-oriented firms, the Commission's Action Plan on improving access to finance for SMEs places a lot of emphasis on venture capital as a possible mode of growth finance; underlines, nonetheless, that this kind of funding is adequate only for a small number of SMEs and that bank loans remain the main source of funding, and that all alternatives should be developed by the private sector; points out the potential financing opportunities that should be explored through the European Fund for Strategic Investments;
7. Stresses that there is no one-size-fits-all mode of finance and calls on the Commission to support the development of a broad range of tailored programmes, instruments and initiatives, especially for new business models in the green economy, ranging across equity (such as business angels, crowd funding and multilateral trading facilities), quasi-equity (such as mezzanine finance) and debt instruments (such as small-ticket company bonds, guarantee facilities and platforms), and partnerships between banks and other operators involved in SME financing (accountancy professionals, business or SME associations or chambers of commerce), in order to support businesses in their start-up, growth and transfer phases, taking into account their size, turnover and financing needs; calls on the Member States to provide fiscal incentives for these funding models; stresses the importance of reviewing existing SME supporting instruments to include further green growth opportunities;
8. Notes that due to the highly technical nature of many green investment plans it is key to highlight the importance of standardised risk and return models and of developing new models for new challenges and sectors;
9. Emphasises that entrepreneurs, SMEs, business associations and support organisations should be more literate on financing possibilities for more performant technologies, or for contracting services such as consultancy, coaching and training on eco-design, resource management and green entrepreneurship and availability of green technologies, products and services that could be beneficial for their business;
10. Calls on the Commission to make sure that in the implementation phase of the 'Investment Plan for Europe' SMEs, in particular green and innovative ones, will be key beneficiaries of the support provided for under this proposal;

Knowledge management

11. Highlights the importance of actively pursuing cross-sectoral collaboration, which offers the potential to spark innovation and new growth opportunities through cross-fertilisation of ideas and innovative concepts; welcomes the Horizon 2020 action 'Cluster facilitated projects for new industrial value chains', to better unlock the innovation potential of SMEs, including the eco-innovative and resource-efficient solutions they offer;
12. Stresses the importance of knowledge transfers and multi-stakeholder knowledge sharing, including cross-border, through informal networks, especially for SMEs and micro enterprises, to raise awareness of existing and new innovative techniques, best practices, ways to acquire proper financing, possible government support schemes and the relevant legislative frameworks entailing the least burdensome administration;
13. Notes the important role of sector federations in providing appropriate information and advice on green technologies, funding possibilities and the relevant procedures; calls on the Commission and the Member States to fill the gap where this support is lacking;

Research, development and innovation

14. Stresses the need to further develop basic R&D necessary for further technological developments; highlights the importance of the reindustrialisation of Europe given the importance of the manufacturing industry for R&D&I and thus the EU's future competitive advantage;
15. Highlights the importance of the commercialisation and valorisation by European companies of R&D output; calls on the Commission and the Member States to provide for a stable regulatory framework and adequate financial schemes in order to enable economic initiative and entrepreneurship and to limit the time to market of new products, services and business practices, notably in the green economy;
16. Notes that according to the May 2014 *Innobarometer* only 9 % of all companies say they have enjoyed public financial support for their R&D&I activities since January 2011; stresses the need to develop user friendly procedures for the various forms of support;

(De)regulation as an engine for growth

17. Calls on Member States to avoid creating barriers to the internal market by gold-plating and to ensure consistent transposition into national legislation; invites the Commission to step up its efforts in addressing gold-plating with individual Member States; stresses the need for a clear and uniform EU-wide interpretation by national regulators and open public procurement rules, including green procurement and e-procurement, which at the moment represents a substantial barrier for SMEs wishing to internationalise and at the same time a tremendous opportunity for Member States to be early adapters;
18. Welcomes the Commission decision for withdrawing obsolete or overly burdensome legislative proposals; calls on the Commission to refrain from legislative proposals that would lead to an unnecessary administrative burden for businesses and SMEs and to continuously review existing legislation with the objective of decreasing the current

administrative burden and adapting this to new business models; stresses, nonetheless, the need for ambitious actions to reach the EU's environmental targets;

19. Recalls the importance of technology-neutral and innovation-friendly legislation, which allows different new technologies to be tested and valued by the market; calls on Member States to use market-based instruments in their public support schemes and to refrain from using market-distorting subsidies; calls on the Commission to draw up common guidelines for national public support schemes for green investment projects in order to create a more uniform set of measures;
20. Notes that public funding needs to go to mature technologies, which can be put on the market at a significantly lower cost, rather than being used to push for large-scale deployment of immature and cost-inefficient technologies;
21. Notes that disruptive industries and technologies often indicate flaws in existing legislation; stresses the need for continuous monitoring of existing legislation and the use of exemption clauses for certain innovative technologies to ensure that this does not hinder market entry for new technological developments;

Miscellaneous support measures

22. Believes that developing entrepreneurship skills and programmes to learn how the market, the economy and the financial system operate, function and interact, along with environmental awareness, should be included in basic education systems; believes that a well prepared business plan is the first step towards better access to finance and viability; calls on the Commission and the Member States to include financial education in their education programmes without delay; supports in this connection the 'Erasmus for Young Entrepreneurs' programme, designed to promote an entrepreneurial culture and develop the single market and competitiveness;
23. Notes the importance of addressing unsustainable consumption patterns and promoting a change in consumer behaviour; stresses the need for adequate consumer education and the need to encourage measures for greener consumption;
24. Stresses the importance of facilitating start-ups and spin-offs through collaboration with research and technological institutes and universities;
25. Believes that female entrepreneurship is an untapped resource for the growth and competitiveness of the EU, which should be fostered and strengthened, and that all the obstacles facing women in the labour market should be removed;
26. Calls on the Commission to study and identify the sectors of European industry where new clusters and hubs can be created;
27. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

Green growth sectors offer great economic and ecological benefits for SMEs in the EU, and is estimated to grow considerably in the coming years. The starting point is that this economic growth can go hand in hand with environmental sustainability. SMEs are the backbone of the European economy and are important drivers for economic growth and job creation.

It is important that policy makers fully understand the potential of the green economy, while at the same time being aware of the difficulties that SMEs currently face, in particular regarding the greening of their products, production processes, business practices and services. The Commission's Green Action Plan for SMEs is a welcome initiative to further stimulate SMEs to develop the benefits of green growth.

During the stakeholder consultations that were made during the redaction of this report, many issues were raised. On the one hand there is a very broad consensus that green growth has a wide range of benefits. At the same time many entrepreneurs, SMEs and industry associations pointed out several large problems they currently face. These could largely be divided in the following headings: financing, research and development and innovation, acquiring the right knowledge and the regulatory framework in place.

Several stakeholders also pointed out the general risk averse attitude among European citizens. Starting in early education, young people should be made aware of entrepreneurship and issues involved, such as various way of financing. Often it takes a failure to achieve success, and it was also agreed that bankruptcy laws are often too strict, and do not allow for an easy restart after a business failure.

Regarding the financing of SMEs most of the problems faced are well-known and well-identified. One of the major difficulties when negotiating a credit contract is the information gap between SMEs and creditors. Both parties agree that better communication should improve the creditors' understanding of the need for a credit for the SME and the SMEs' understanding of the different credit options. Venture capital, business angels and crowd funding should be put forward more explicitly as financing alternatives to regular bank lending. Because of the vary broad range of financing demands, according to product, company size, technology, innovation etcetera, the Commission should take this into account when developing programmes, instruments and initiatives. Especially for the green economy, where there still is some uncertainty regarding return on investment due to the new technologies and business models, a wide pallet of instruments is necessary.

Another key point in the development of green growth opportunities is the need for knowledge sharing and knowledge dispersion. Contrary to multinational enterprises, SMEs often do not have the same access to knowledge networks to stay up to date with new technologies, or to get their message out to potential clients or investors. For these reasons, this report dedicates a separate heading to how SMEs can profit more from the knowledge that is out there. The most important items here are cross-sectoral collaborations, the set-up of informal networks and the invaluable role that sector federations can and should play in this regard. The reasoning here is, and this was echoed in the stakeholder consultations, that sector federations and informal networks are the main source of information, ranging from technologies, suppliers, government support schemes etcetera. For sectors where these

platforms are lacking, the Commission and Member States should step in and provide similar services.

The large potential of the green economy can only be fully exploited if the right framework is in place for research, development and innovation. Although the various public support schemes can stimulate R&D&I to a certain extent, the most important enabler is an open, stable and innovation friendly regulatory and investment framework. This means making sure that it keeps time to market short, does not chose a winner but let's market forces play their part and make sure it does not from the outset exclude potential innovative technologies or products.

This also translates in the heading of the report that deals with regulation, another major obstacle to growth in general, and to green growth in particular. Several issues were highlighted, both during the stakeholder consultations as during the hearing in the ITRE committee of the European Parliament on supporting innovative start-ups and SMEs, being that too often there is an overload of stringent rules, reporting obligations or application procedures. To be more specific, gold plating and different interpretations among various regulators both increase the burden, and pose a barrier to the functioning of the internal market. The Commission's decision to withdraw some pieces of legislation which are considered to be overly burdensome can be welcomed. It highlights the idea that the first thing the Commission and Member States should do when drafting new legislation is to reflect on what problem or what market failure they are trying to solve.

On support schemes, the rapporteur calls upon the Commission to develop guidelines to streamline the various differing national systems, in order to come to a more unified set of measures. One of the key points government should focus on to continue greening our economy while keeping the budget in check, is to look for mature technologies which are cost efficient. What they should refrain from is pushing for large scale deployment of costly new innovations. In this case, governments can rather chose to play the role of enabler, where they support small-scale demonstration project which helps to further develop the technologies.

The draft report concludes by pointing out several other important challenges, such as the potential of female entrepreneurship, consumer awareness and measures in support of entrepreneurship in general.

It is clear that there is a large potential for green growth, but this potential cannot be fully exploited if several basic conditions are not fulfilled. These are conditions such as creating a more entrepreneurial mind-set, developing open and innovation friendly rules, establishing more diverse access to finance or creating more knowledge sharing opportunities.