



Climate Change Basics (Action guide)

Introduction

Climate change is one of the defining challenges of our time. Rising global temperatures, more frequent extreme weather events, and disrupted ecosystems are already affecting communities and economies around the world. For businesses, especially small and medium-sized enterprises (SMEs), these changes bring both risks and opportunities.

SMEs make up over 90% of businesses globally, driving innovation, jobs, and local economic growth. Collectively, they also account for a large share of global emissions through their operations and supply chains. This means SMEs are crucial partners in achieving a net-zero future.

The Basics Terms of Climate Change

Climate Mitigation:

Climate mitigation refers to actions taken to reduce or prevent greenhouse gas emissions and slow climate change. For SMEs, this is, for example, improving energy efficiency, switching to renewable energy, and reducing emissions across operations and supply chains.

Climate Adaptation:

Climate adaptation involves adjusting to the impacts of climate change that are already occurring or expected. For SMEs, this can mean preparing for extreme weather, strengthening supply chains, and managing climate-related business risks.

Greenhouse Gases (GHGs):

Gases like carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O) trap heat in the Earth's atmosphere, leading to global warming. These gases are released by the burning of fossil fuels.

Fossil Fuels:

Fossil fuels such as coal, oil, and natural gas are energy sources formed from ancient plant and animal remains. When burned, they release greenhouse gases, making them the main driver of climate change.

Global Warming and Climate Change:

Global warming refers to rising average temperatures; climate change describes the broader effects, such as changing rainfall patterns, droughts, floods, and storms.

The Paris Agreement & 1.5°C Target:

The Paris Agreement is a global treaty signed by almost every country in 2016, aiming to limit global warming to 1.5°C above pre-industrial levels. This requires global emissions to halve by 2030 and reach net zero by 2050.

Net zero:

Net Zero refers to reaching a balance between the GHGs emitted and those removed from the atmosphere. To achieve net zero, a company must:

- **Reduce GHG emissions as much as possible**, and
- **Counterbalance or neutralize** any remaining emissions through credible methods like carbon removal.

The Greenhouse Effect

The greenhouse effect is a natural process that keeps our planet warm enough for life. The Sun's energy reaches Earth, and while some is reflected back to space, most is absorbed by the surface and re-emitted as heat. Greenhouse gases and water vapour trap part of this heat in the atmosphere, preventing it from escaping into space. Human activities, especially burning fossil fuels and deforestation, add extra greenhouse gases, intensifying this effect and causing global warming.¹

Why It Matters for SMEs

Climate change isn't just an environmental issue, it's a business issue.

- **Operational Risks:** Supply chain disruptions, resource scarcity, energy price volatility, and weather-related damage. More than 40% of small businesses never reopen after a natural disaster.²
- **Regulatory Risks:** Increasing reporting and emission reductions requirements across industries and markets. Larger corporate customers and banks are increasingly asking their value chain SMEs to take climate action and report on their progress.
- **Market Expectations:** Some customers, investors, employees and partners are prioritizing climate-aligned businesses.
- **Financial Opportunities:** Energy efficiency, circular products, low-carbon services, and climate solutions are growing markets. Implementing climate mitigation actions can reduce costs and lead to opportunities.

Taking climate action helps SMEs become **more resilient, efficient, and competitive**.

The Role of SMEs in the Net Zero Transition

¹ [What is the Greenhouse Effect? \(IPPC\)](#)

² [Improving Small Business Disaster Response and Recovery \(Milken Institute\)](#)

SMEs have unique strengths that make them powerful change agents:

- **Innovation:** SMEs often move faster than large corporations to adopt new technologies and business models.
- **Local Impact:** Small businesses play a key role in their communities, reducing emissions locally and influencing customers and suppliers.
- **Collaboration:** By working together through initiatives like the SME Climate Hub, SMEs can share knowledge and resources to accelerate change.
- **Global emissions:** SMEs account for up to 60% of global business emissions, making SME decarbonization essential to meeting the Paris Agreement climate targets.³

Getting Started

Here's how to begin your climate journey:

1. **Estimate your carbon footprint:** use tools like the *SME Climate Hub Carbon Calculator* to understand your impact and identify emissions hotspots
2. **Identify quick wins:** Some actions are easier than others and can be taken quickly at relatively low cost, e.g. switching to renewable energy, tracking energy use, reducing business travel, switching to LED lighting, optimising heating and cooling.
3. **Engage your team:** involve employees in identifying solutions and saving energy.
4. **Share your story:** communicate your progress to customers and partners.

You can explore practical resources and guidance on how to implement these actions in the SME Climate Hub [Action Space](#). Even small steps add up, and collectively, SMEs can drive large-scale change.

The path to net zero is not only about reducing harm, it's about building a **better business for the future**. By taking action now, SMEs can strengthen their reputation, attract talent and customers, and contribute to a healthier planet for all.

³ [Fast-Tracking SME Sustainability Could Accelerate Global Climate Targets and Unlock Economic Value, Says New Report \(World Economic Forum\)](#)