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WHY WOMEN-LED SMALL AND MEDIUM ENTERPRISES SHOULD CONSIDER DECARBONIZATION

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In a world where the tapestry of commerce is interwoven with the threads of environmental consciousness, women-led small and medium enterprises (SMEs) stand at the forefront of a transformative era. Decarbonization is not merely a buzzword; it is a clarion call for action, a strategic imperative that beckons with both challenge and opportunity.

IMAGE: Ladi Dosei Kwali

Imagine a future where every business decision is a step towards sustainability, where women entrepreneurs harness innovation to turn the tide against climate change. Decarbonization is the key to unlocking this future, ensuring that women-led SMEs not only thrive but also lead by example in the green revolution.

As custodians of the next generation, women-led SMEs have the unique potential to craft a legacy of resilience and responsibility. By embracing decarbonization, they can redefine the marketplace, weaving a greener narrative into the very fabric of their business models. This is not just about reducing carbon footprints; it's about stepping boldly into a future where business success and environmental stewardship are inextricably linked.

Why should women-led SMEs consider decarbonization? Because the future is green, and women are its architects.

Research has indicated that women are the main drivers of socioeconomic growth in emerging nations, especially in rural areas.¹ For example, Nigerian rural women are not only partakers in the responsibility of providing for their families, but they also market the extra

¹ "Pursuing Women's Economic Empowerment" (IMF, May 31, 2018) accessed March 1st, 2024

produce from their family's farm and engage in various small-scale business ventures that boost the country's economy.²

Most developing nations' economic challenges may best be addressed through entrepreneurship. Entrepreneurship in Small and Medium-Sized Enterprises contributes to the creation of jobs, the reduction of income disparities, the manufacture of products and services in the economy, as well as providing opportunities, skill development, and acquisition.³ There is abundant data that suggests that although women are the drivers of growth rurally in developing communities, women's participation in the local and national market development is, however, underrepresented in many nations, including Nigeria.⁴

Notwithstanding, women still control at least one-third of all SMEs in developing nations⁵, while facing more obstacles, one of the most significant hurdles to female entrepreneurship is the lack of funding.⁶

Decarbonisation is simply the term used for removal of carbon dioxide (CO₂) out from the atmosphere.⁷ It is about reducing CO₂ emissions resulting from human activity with the eventual goal of eliminating them. In response to the ambition of the 2015 Paris Agreement⁸ Many government and business leaders have set targets and made commitments to reduce carbon emissions. With Nigeria's goal of reaching net zero emissions by 2060⁹, the route to decarbonisation provides SMEs with a means to boost financial performance, decrease operating costs, attract investment, and improve their marketing position while positively contributing to global sustainability initiatives.

² [“The Role of Women in Rural Development, Food Production and Poverty Eradication”](#) (UN Women – Headquarters) accessed March 1st, 2024

³ Gherghina ȘC and others, [“Small and Medium-Sized Enterprises \(SMEs\): The Engine of Economic Growth through Investments and Innovation”](#) (Sustainability, January 1, 2020) accessed 1st March, 2024

⁴ Asaju K and Adagba SO, [“Women Participation in National Development in Nigeria: The Imperative of Education”](#) (2013) 3 Journal of Public Administration and Governance 57 accessed 3rd March, 2024

⁵ WTO [“Access to Finance for Women-led micro, small and medium-sized enterprises \(MSMES\): A Compendium of Financial inclusion Initiatives”](#) INF/MSME/WI/46 (October, 2023) accessed March 5th, 2024

⁶ n.4 abv

⁷ [“What Is Decarbonisation?”](#) (Deloitte Netherlands) accessed 10th March, 2024

⁸ [“The Paris Agreement | United Nations”](#) (United Nations) accessed 10th March, 2024

⁹ [Nigeria Energy Transition Plan](#)



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In line with this year's International Women Day under the theme “Invest in Women; Accelerate Progress” it would not be absurd to say that to achieve holistics sustainable development, it requires the full participation of women, who account for a significant portion of the population. This article considers various ways women can advance and develop their way of doing business and be attractive to prospective investors through sustainability and decarbonization.

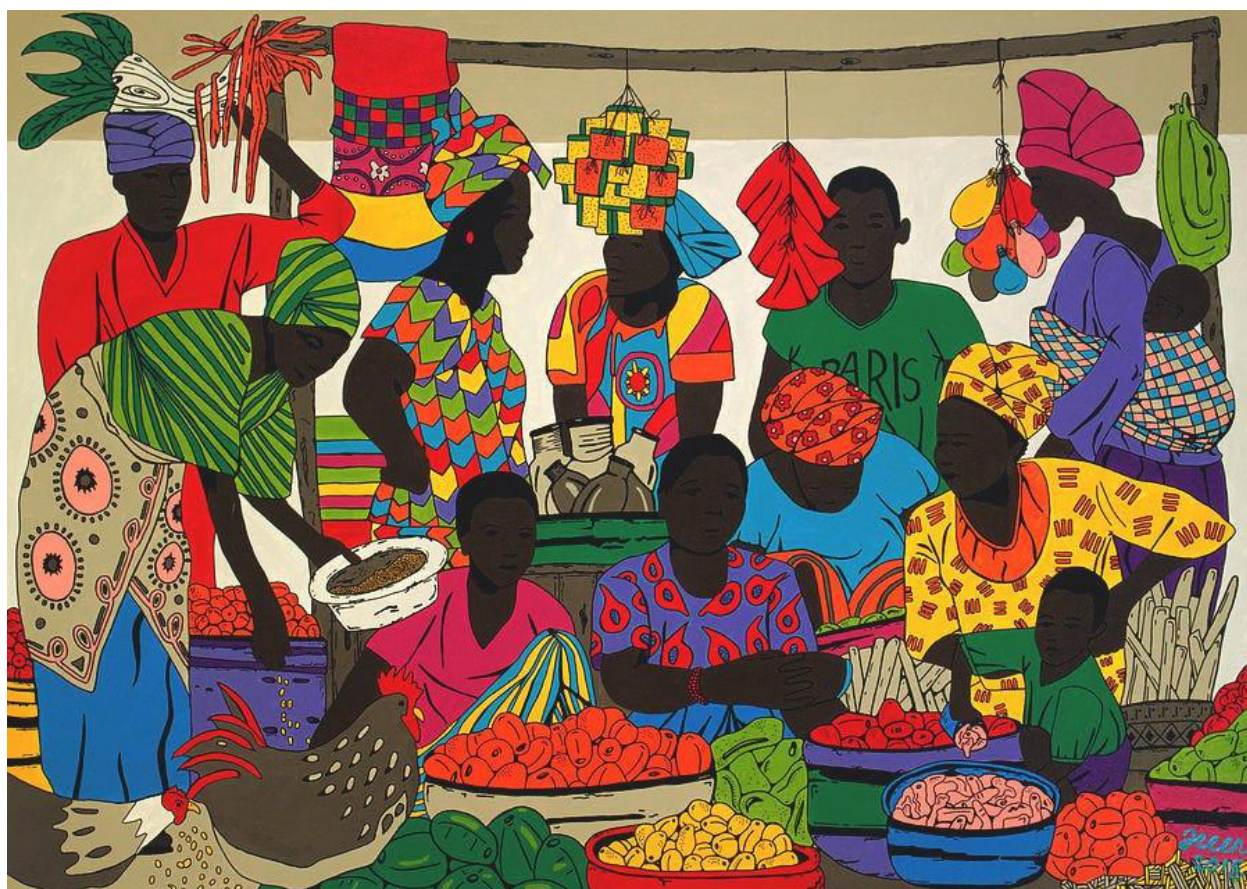


IMAGE SOURCE: African Marketplace 1 Painting by Irene Jonker via Pixels.com

WHY IS IT IMPORTANT FOR WOMEN LED SMEs TO CONSIDER DECARBONISATION

First, SMEs are at the leading edge of the private sector's efforts to combat the negative effects of climate change. While some may argue that SMEs contribute little to global

greenhouse gas emissions, on average, they account for 50% to 60% of world emissions.¹⁰ Furthermore, as previously said, smaller businesses suffer cash restrictions and a reduced capacity to tolerate company failure; hence, they are more risk averse to adjusting their business operations to embrace lower-carbon practices.¹¹ Interestingly, a considerable portion of the scope three emissions of major corporations, or emissions indirectly generated on the corporate value chain, are reduced by the presence of some businesses in the global supply chain. Smes can provide vital services and support company resilience and good business practices by establishing a varied and inclusive supplier chain offer. However, women-owned enterprises get fewer than 1% of major corporations' procurement purchases, which excludes them from possibilities to contribute to larger enterprises' decarbonisation initiatives.¹²

Furthermore, women-led SMEs with significant growth potential may be a source of innovation, incubating innovative climate solutions and serving as a hub for sustainable economic development. Women influence 80% of purchasing decisions¹³ Thus female founders have a competitive edge in developing and marketing green services, as well as producing products that appeal to end users.

STEPS WOMEN-LED SMEs SHOULD CONSIDER WHEN DECARBONIZING THEIR BUSINESSES

1. **Decarbonisation as a source of Revenue Generation:** Women-led SMEs could explore implementing carbon reduction as a product ingredient, monetizing waste, and reducing the use of harmful to the environment raw materials. For example, RABOBANK is pioneering carbon banking. Decarbonisation may be the next corporate frontier for female-led SMEs.
2. **Know where your Baseline Emission Come from:** When contemplating decarbonisation, women-led SMEs must first grasp what carbon emissions are. Before establishing attainable reduction objectives, it is necessary to determine their existing emission levels. There are three sorts of emission reduction scopes: scope one emissions are direct emissions, scope two emissions are indirect emissions, and scope three emissions are based on how SMEs see their responsibility for emission

¹⁰ *SME Competitiveness Outlook 2021: Empowering the Green Recovery* | ITC. (2021, June 22). ITC accessed 5th March, 2024

¹¹ World Trade Organisation: *Small Businesses and Climate Change* (2022) accessed 11th March 2024

¹² "Sourcing2Equal Colombia" (IFC) accessed 1st March, 2024

¹³ "The Gender Dividend" (Deloitte Ukraine) accessed 11th March, 2024

reduction. At Clean Technology Hub, we have a decarbonisation team that can guide SMEs through these steps.

3. **Streamline Internal Procedures:** SMEs can lower their emissions by reassessing their internal processes. These business owners may see a 30% decrease in energy usage with energy-efficient equipment. Energy savings from automated energy systems, such lights, can reach 10% more. A culture that recycles or reuses resources within operations wherever feasible should also be taken into account. For example, waste may be reduced by up to 40% when a SME conducts thorough process audits. As a result, up to half of the waste produced can be effectively recycled, significantly lowering the quantity that ends up in landfills.
4. **Working Remotely and Digitalisation:** Some meetings may not require your physical attendance. Emphasizing virtual meetings over actual visits can assist in avoiding business trips, resulting in considerable reductions in travel-related emissions. By implementing a digital-first approach, SMEs may drastically reduce their paper-based carbon footprint. It's essential to remember that these procedures do more than just save money. It involves taking a proactive stance in creating a profitable and ecologically responsible business foundation for women-owned businesses.
5. **Decarbonise your Supply Chain:** According to a study conducted by McKinsey, reported that 90% of companies' impact on the environment comes from supply chain rather than from direct operations.¹⁴To decarbonise, SMEs must analyze the environmental practices of their vendors, prioritize products that are sustainably sourced or have a smaller carbon footprint, and choose a local supplier to decrease transportation emissions.
6. **Creation of Awareness and Education:** Willingness to change is an important factor in decarbonisation efforts. Knowledge gaps can be a barrier to compliance since small business owners, particularly those run by women and young people, may lack the necessary capacity and competencies. Therefore, by having a workforce that understands and values sustainable practices, SMEs can ensure a consistent approach to decarbonisation. For Example, hosting regular webinars, training

¹⁴Gonçalves A, "[Supply Chains Cause 90% Of Companies Environmental Impacts. How Can They Be Improved?](#)" (Youmatter, February 10, 2020) accessed March 10th, 2024

sessions to educate employees about the importance of sustainability can be an advantage.

7. **Transition to Renewable Energy:** Switching to renewable energy sources is one of the most effective methods to decarbonise a business. With the falling cost of renewable technology and new ideas emerging, SMEs may progressively lessen their dependence on fossil fuels. Essentially, SMEs may directly contribute to the shift to renewable energy, lowering carbon emissions and perhaps saving money on energy in the long term.

In conclusion, businesses of all sizes will need to contribute to decarbonisation efforts to address climate change, by reducing behaviors harmful to the environment and by engaging in more sustainable processes. Hence, the journey towards a decarbonised future is not just an imperative for large organizations but also a pressing responsibility for SMEs. By carefully applying these procedures, women-led SMEs may not only make a substantial contribution to the global sustainability agenda, but also gain economic benefits ranging from monetary savings to improved market positioning.

Nevertheless, while decarbonisation and transition to sustainable business practices may offer potential opportunities for SMEs, they have some challenges. Access to information to be made in their businesses and the cost of that change is a major challenge. As a result, while providing policy guidance, the Nigerian government should prioritise decarbonisation agendas that include widely distributed information on the criteria, tools for SMEs to assess their climate impact, and, if required, how they may acquire green funds.