



SMEs DECARBONISATION ENABLERS FOR CIRCULAR TRANSITION

Edited by Grazyna Pulawska and Ira Martina Drupady

SMEs GOING CIRCULAR

Decarbonisation of Food Supply Systems

ENVforum Annual Conference 2022



BACKGROUND

The Asia-Europe Environment Forum (ENVforum) “SMEs Going Circular: Decarbonisation of Food Supply Systems” was a 2-day online international Conference aiming to boost the exchange of ideas and solutions for decarbonisation of the agri-food industry. The Conference recognised the pivotal role of small- and medium-sized enterprises (SMEs) in transitioning to circular agri-food systems and highlighted opportunities for improving circularity in agriculture, innovation and service SMEs.

As the transition to a circular economy centred on net-zero goals can only be achieved by scaling up collaboration and partnerships among stakeholders involved in the SMEs ecosystem, the Conference offered a platform to empower participants to identify challenges, exchange best practices, and brainstorm solutions toward effective decarbonisation of food supply chains. This is key to stimulating progress toward achieving a sustainable future.

SMEs’ CIRCULAR TRANSITION: SMEs DECARBONISATION ENABLERS

SME size and entrepreneurial nature have a vital role to play in the transition to a circular economy alongside larger-scale national and global actions. While increasingly more companies are joining the shift to net-zero carbon emissions, it is still a small percentage of businesses that are taking on this challenge. Identifying the best strategy paired with cost efficiency is the main challenge. As these companies have a fundamental role in transforming the food systems, they need an ecosystem that is nurturing and stimulating to help the transition to low-carbon business models.

Creating an ecosystem that supports sustainable entrepreneurship and offers the enabling conditions for SMEs to thrive, essential for circular transformation, is another strategy that was spotlighted. In regions that successfully support and stimulate entrepreneurship, there are plenty of enabling mechanisms contributing to supporting SMEs-related stakeholders. In this regard, governments, societal leaders, financial assistance providers, organisations and individuals can foster more entrepreneurship by playing different roles and having options for scaling up.

The enabling ecosystem for SMEs plays a crucial role in fostering an environment in which companies can thrive and transform. This Conference Stream built on the model presented in the article on “How to Start an Entrepreneurial Revolution” by Daniel Isenberg which describes the environment in which entrepreneurship tends to thrive. Drawing from examples from around the world, the article proposes that entrepreneurs are most successful when they have access to the human, financial and professional

resources they need and operate in an environment in which government policies encourage and safeguard entrepreneurs.

POLICY RECOMMENDATIONS

The presentations and discussions at the ENVforum Annual Conference 2022 made clear that SMEs play a fundamental role for sustainability and decarbonisation of agri-food systems. Compared to large or corporate-owned businesses, SMEs hold a higher potential to successfully implement local production and consumption and low-impact agricultural practices. To mainstream sustainable SMEs in agri-food, policymakers need to set up and implement strategies for transitioning to local scale systems with diffused access to local resources, products, services, skills and information.

Circular agri-food SMEs have a high potential for fostering system change. In particular, SMEs are demonstrating their impact in the following focus areas: developing low-carbon food alternatives, implementing more efficient agricultural practices, and preventing food waste. However, circular agri-food SMEs lack access to funding, financing and markets, which limit their chances to compete equally with other more carbon-intensive agri-food business models. This constitutes a barrier to reducing carbon emissions from the agri-food sector.

In particular, these strategies should focus on the following goals:

- **Promoting more efficient food production systems;**
- **supporting SMEs contributing to agri-food decarbonisation;**
- **reducing food waste across agri-food systems;**
- **reducing overconsumption of high carbon footprint food.**

Three policy recommendations emerged from the discussions at the Conference:

RECOMMENDATION 1

Implement supporting frameworks for SMEs developing and marketing alternatives to meat

The overconsumption of meat, dairy, and other high carbon footprints of food is one of the main sources of climate impact from agri-food systems. Reductions in excessive consumption levels can be enabled by regulating advertising on high-carbon foods (UNEP, 2022), removing incentives for the production and consumption of animal-based products

(FAO, UNDP and UNEP, 2021), restricting licenses for sale, and adopting maximum quotas per producer/retailer based on greenhouse gas (GHG) emissions limits. Within this set of policies, SMEs focusing on decarbonisation, for example, by developing and marketing low-carbon alternatives to meat or providing services for integrating consumption data into production systems, will be able to more effectively compete in the food markets and contribute to the wellbeing of society.

RECOMMENDATION 2

Provide incentives for circular agri-food SMEs to phase out unwanted consumption and production patterns

Food systems are highly inefficient. Practices such as regenerative and precision agriculture increase the efficiency of agri-food systems and reduce the impacts on climate and resource use. SMEs innovating, implementing and delivering services for regenerative and precision agriculture can be incentivised, while subsidies should diverge from inefficient productions.

Policy measures for promoting more sustainable SMEs include increasing support for scaling up agri-food innovation start-ups and facilitating access to markets, talent and funding to SMEs producing and distributing food at the local scale. Other measures include tax relief for local and low-carbon products, stricter regulations on land, water, and pesticide use, as well as consumer education campaigns on healthy and sustainable lifestyles.

RECOMMENDATION 3

Invest in infrastructure and programmes for measuring and preventing food waste

Losses at every stage in the food system influence the extent to which nutritional requirements can be met in Asia and Europe (Alexander et al., 2017), contributing to the agri-food sector's carbon emissions. Public investment in infrastructures and programmes for measuring and preventing food waste is an essential enabler for the decarbonisation of agri-food SMEs. Investment in infrastructures, including digital infrastructures, will benefit service SMEs in the areas of rescue and donation of food surplus and innovation SMEs in the area of technologies and practices for reduced food waste.

"Food systems are highly inefficient. Practices such as regenerative and precision agriculture increase the efficiency of agri-food systems and reduce the impacts on climate and resource use."



THE ENFORUM PARTNER CONSORTIUM CONSISTS OF THE FOLLOWING INSTITUTIONS:



The Asia-Europe Foundation (ASEF) promotes understanding, strengthens relationships and facilitates cooperation among the people, institutions and organisations of Asia and Europe. ASEF enhances dialogue, enables exchanges and encourages collaboration across the thematic areas of culture, education, governance, economy, sustainable development, public health and media.

ASEF is an intergovernmental not-for-profit organisation located in Singapore. Founded in 1997, it is the only institution of the Asia-Europe Meeting (ASEM).

ASEF runs more than 25 projects a year, consisting of around 100 activities, mainly conferences, seminars, workshops, lectures, publications, and online platforms, together with about 150 partner organisations. Each year over 3,000 Asians and Europeans participate in ASEF's activities, and much wider audiences are reached through its various events, networks and web-portals.

For more information, please visit www.ASEF.org



Stockholm Environment Institute (SEI) is an international non-profit research and policy organization that tackles environment and development challenges. We connect science and decision-making to develop solutions for a sustainable future for all. Our approach is highly collaborative: stakeholder involvement is at the heart of our efforts to build capacity, strengthen institutions, and equip partners for the long term. Our work spans climate, water, air, and land-use issues, and integrates evidence and perspectives on governance, the economy, gender and human health. Across our eight centres in Europe, Asia, Africa and the Americas, we engage with policy processes, development action and business practice throughout the world.

For more information, please visit www.sei.org



The Hanns Seidel Foundation (HSF) is an official German Political Foundation. It is entrusted by the German Parliament with a mandate, which lies at the core of the task of promoting democratic and sustainable structures worldwide. This mandate involves the strengthening of the relevant institutions and persons, procedures and norms and the requisite attitudes enabling such development to take place.

For more information, please visit www.hss.de or www.hss.de/southeastasia



ASEM SMEs Eco-Innovation Center (ASEIC) was established in 2011 with the principal mandate of promoting Asia-Europe cooperation to create and enhance eco-innovation of small and medium-sized enterprises (SMEs) in both regions.

For more information, please visit www.aseic.org/main.do



Established in 1998, the Institute for Global Environmental Strategies (IGES) is an independent, not-for-profit think tank, based in Japan. It goes beyond research to provide practical ways to protect the earth's environment and to realise greater sustainability and equity in the global community.

For more information, please visit www.iges.or.jp

Partially funded by:





ASIA-EUROPE ENVIRONMENT FORUM



This policy brief is an outcome of the Asia-Europe Environment Forum (ENVforum) Annual Conference 2022 on “SMEs Going Circular: Decarbonisation of Food Supply Systems” which took place online on 28 and 29 June 2022. The conference aimed to boost the exchange of ideas and solutions on the decarbonisation of the agri-food industry.

Established in 2003, the [Asia-Europe Environment Forum \(ENVforum\)](#) is a partnership of the [Asia-Europe Foundation \(ASEF\)](#), [Hanns Seidel Foundation \(HSF\)](#), [ASEM SMEs Eco-Innovation Centre \(ASEIC\)](#), [Institute for Global Environmental Strategies \(IGES\)](#) and the Government of Sweden through the Strategic Collaborative Fund administered by [Stockholm Environment Institute \(SEI\)](#).

Contact us: env@asef.org

ENVforum Consortium Partners:

