



# Argos - BCG Mid-market Climate Transition Barometer

The European mid-market decarbonisation reference

High awareness but a critical  
need for more structured actions

# Foreword

To date, climate policies and media attention have predominately been focused on large, mostly listed, companies and multinationals, with policymakers shielding away from increasing the regulatory burden for mid-market companies. They tend to rely instead on the pressure exerted by the large players on their upstream/downstream suppliers/clients to spur mid-market companies into action. While the threshold for carbon reporting is now being lowered in the EU<sup>(1)</sup>, SME-related public support amounts to less than 3% of the total financial support for greening in recovery packages, according to OECD<sup>(2)</sup>. Yet, SMEs' economic contribution is significant: they represent ~61% of total employment and ~52% of private sector value added (according to Eurostat<sup>(3)</sup>).

As a result, mid-market companies are perceived as the blind spot of climate action despite their sizeable contribution to total GHG emissions. As highlighted by the European Commission<sup>(3)</sup>: "Although their individual impact is small, their cumulative impact on the environment is significant". The GHG contribution of mid-market companies could represent up to two thirds of the total European emissions<sup>(4)</sup> (according to the European Commission<sup>(5)</sup>). As such, it is critical that SMEs become fully engaged and participate in the EU decarbonisation plans. But in order to facilitate SMEs' climate journey, a better understanding of their current maturity, achievements, and challenges is needed.

In this context, Argos Wityu and Boston Consulting Group have joined forces to assess the current progress in terms of decarbonisation among European mid-market companies, as well as explore the most relevant way forward to address the climate transition. Over 700 leaders of mid-market companies were interviewed in July 2023. The sample covers 6 European countries (France, Italy, Germany, Belgium, Netherlands, and Luxembourg) across sectors critical in achieving the overall decarbonisation goals, i.e., those that are directly responsible for GHG emissions within their operations and direct value chain such as Transportation & Logistics, Construction, High-temperature Industries, Chemicals, Agriculture & Food, Retail & E-commerce, Other Industries.

We are thrilled to present this first edition of the study to all stakeholders of the mid-market ecosystem: managers, employees, investors, clients, suppliers, and policymakers.

<sup>(1)</sup> The new Corporate Sustainability Reporting Directive (CSRD) voted by the European Commission at the end of 2022. The CSRD will demand public and private businesses with over 250 employees and €40m turnover to disclose their impact on climate, including scope 3 emissions, with a full-year reporting period starting on Jan 1st, 2025. From 2026 onwards, the CSRD will be extended to public European SMEs (i.e., less than 250 employees and €40m turnover).


<sup>(2)</sup> OECD: Financing SMEs and Entrepreneurs 2022, An OECD Scoreboard

<sup>(3)</sup> For countries in scope of the survey (see Methodology section) via Eurostat Data Browser: Annual enterprise statistics by size class for special aggregates of activities (NACE Rev. 2)

<sup>(4)</sup> European Commission: Flash Eurobarometer 498 SMEs, green markets, and resource efficiency – November-December 2021 Report

<sup>(5)</sup> If all value chain emissions are accounted for.

<sup>(6)</sup> Annual Report on European SMEs 2021/2022 SMEs and environmental sustainability Background document



“Mid-market companies will be critical to achieve EU’s target of reducing net greenhouse gas emissions by at least 55% by 2030. While these companies have not been the primary focus of climate policies, this study shows high awareness and enthusiasm. We now need to help them transform this willingness into structured decarbonisation plans and investments.”

**Fabien Hassan, BCG**

“There is no doubt that the decarbonisation of mid-sized businesses can generate strong opportunities in all sectors. Many investors, from family offices to large institutions, are willing to support these businesses in their Grey to Green transition and help them become sustainable leaders.”

**Simon Guichard, Argos Wityu**



## Summary

European mid-market companies are highly conscious of the importance of reducing GHG emissions, and positively perceive the climate transition as an achievable target that will create new opportunities for their business. However, only a limited share of 11% declares having “strongly invested” to abate their GHG emissions based on a detailed climate strategy built beforehand (consisting of a detailed carbon footprint and a decarbonisation roadmap).

This shows a critical need for mid-market companies to embrace decarbonisation challenges with a structured approach to ensure sufficient action is taken to reduce GHG emissions, as well as capturing the opportunities coming from the environmental transition.

To achieve European objectives, mid-market companies must be guided and incentivized by their ecosystem (clients, suppliers, shareholders, solution providers, and policymakers).

# 5 key takeaways

**1** Most mid-market companies consider “the reduction of GHG emissions “important” or “critical”, (84%, of which 71% perceive it as an opportunity). Beyond reducing their climate impact, respondents foresee concrete economic opportunities from their transition (e.g., improving cost efficiency, addressing new markets, and benefiting from state support to modernize facilities and equipment). A vast majority of them even consider that the climate transition will trigger an immediate or long-term competitive advantage.

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**2** However, a limited share of companies (38%) declares having already “strongly invested”. These investments were primarily driven by regulation, energy prices, and customer pull. Few respondents saw opportunities appealing enough to motivate paradigm shifts with the majority focusing only on the most obvious levers, such as energy efficiency and raising employee engagement, rather than looking at more transformative actions (e.g., business model changes, product design).

**3** For a vast majority of companies, actions to reduce emissions are still being deployed ad-hoc and opportunistically. Only 11% declare having “strongly invested” based on a structured decarbonisation plan, including measuring their GHG emissions baseline and building a roadmap. There is still a long way to go for European mid-market companies to tackle all opportunities that could arise from climate transition.

11%  
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(consisting of a detailed  
carbon footprint and a  
decarbonisation roadmap)

**4** Mid-market companies have started to act on decarbonisation across all European regions studied; however, different decarbonisation dynamics can be observed between sectors and ownership. For instance, 51% of Transportation & Logistics

companies declare to have significantly invested, versus only 24% of High-temperature Industries. By ownership, 62% of publicly listed companies declare having “strongly invested” versus only 35% for privately-owned companies.

**5** European mid-market companies are optimistic about the achievability of 2030 targets (70% declare that they seem achievable), while they need external support to overcome 3 main headwinds: lack of financial resources, regulation complexity, and lack of time and expertise.

- **Financial headwinds:** Investors have a crucial role to play in supporting mid-market companies in the implementation of decarbonisation investment projects, by helping management navigate the complexity, provide tools and guidance, support decarbonisation initiatives and accept longer term returns for climate related projects;
- **Regulatory complexity:** EU regulators are at the vanguard of environmental measures. However, beyond increased reporting, mid-market companies do not necessarily perceive a clear signal and incentives on decarbonisation. More clarity on the role of mid-market companies in the EU climate strategy and dedicated measures to support them would help accelerate the transition.
- **Lack of time and expertise:** Mid-market companies rarely have the necessary internal resources nor expertise to deliver ambitious decarbonisation roadmaps. Engagement of all stakeholders (regulators, investors, governmental agencies, business partners, solution providers<sup>(1)</sup>) addressing the specific needs of mid-market companies is critical to the success of their decarbonisation initiatives.

<sup>(1)</sup>E.g., Energy suppliers, energy services companies, low-carbon technology companies, equipment manufacturers

# 1 Most mid-market companies consider “important” or “critical” the reduction of GHG emissions (84%, of which 71% perceive it as an opportunity)

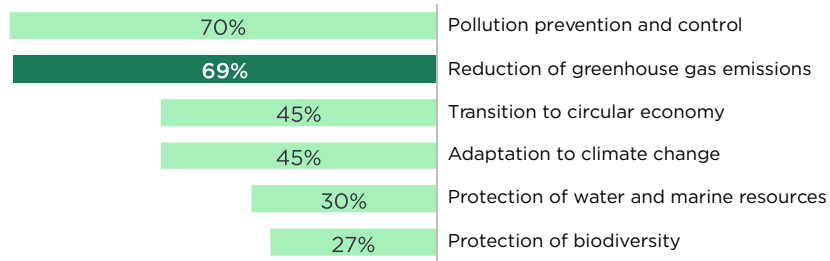
There is a **high awareness** among European mid-market companies across all regions and sectors as **84%** consider the reduction of GHG emissions “important” or “critical”.

Among this **84% of respondents**, **69%** declare that they are already working on GHG emissions reduction as an **environmental objective**. The abatement of their

GHG emissions is a top priority together with pollution prevention and control, despite a less mature regulatory framework compared to already applicable regulations regarding air quality such as the IPPC (Integrated Pollution Prevention and Control) European directive.

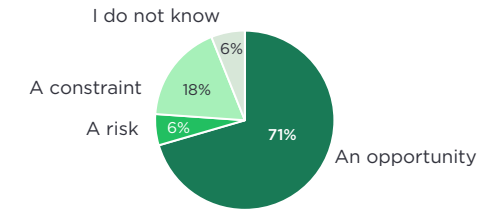
## Environmental objectives of interviewed companies

(for companies who considered the reduction of GHG emissions “important” or “critical”)



Among this **84%** of respondents considering GHG emission reduction “important” or “critical” a high share (**71%**) see the climate transition as an **opportunity**. Perceived opportunities include improving cost efficiency, addressing new markets, and benefiting from state support to modernize facilities and equipment.

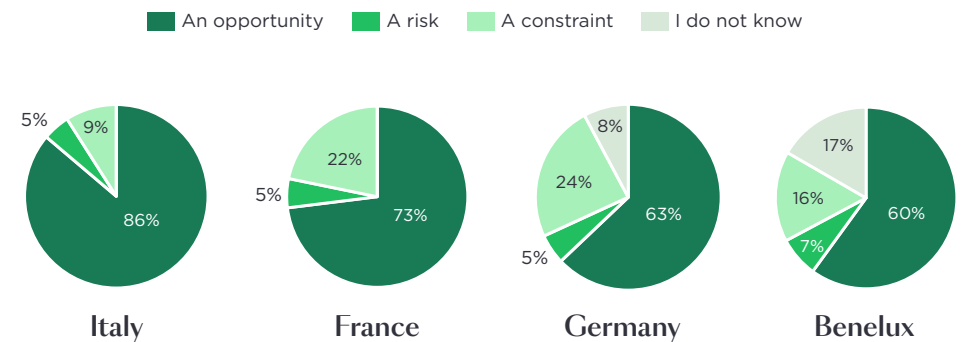
## Perception of the climate transition (for companies who considered the reduction of GHG emissions “important” or “critical”)



There are notable differences in how the climate transition is perceived **by region**: 86% of Italian companies perceive it as an opportunity versus 73% for France, 63% for Germany and 60% for the Benelux.

## Perception of the climate transition, by region

(for companies who considered the reduction of GHG emissions “important” or “critical”)

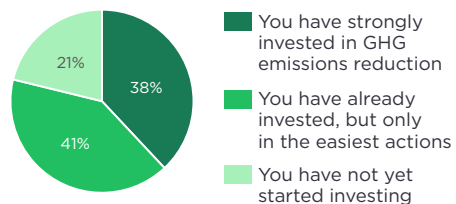


Additionally, a vast majority (**76%**) of those considering GHG emission reduction important believe that the climate transition will trigger an immediate or long-term **competitive advantage**.

**2** However, a limited share of companies (38%) declares having already «strongly invested», primarily driven by regulation, energy prices, and customer pull – few respondents saw opportunities appealing enough to motivate paradigm shifts

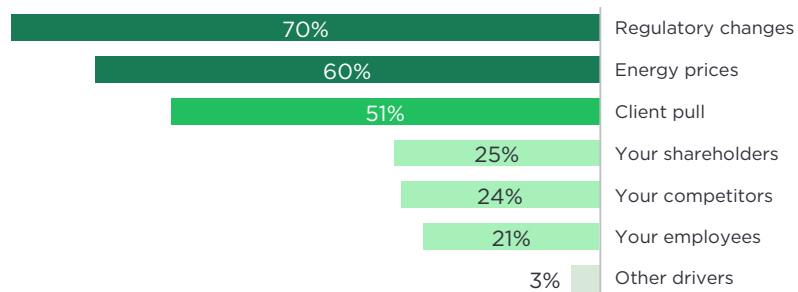
38% of respondents declared that they had already «strongly invested» in GHG emissions reduction, while 41% declared having already deployed financial resources targeting the easiest actions.

Levels of investments deployed in GHG emissions reduction



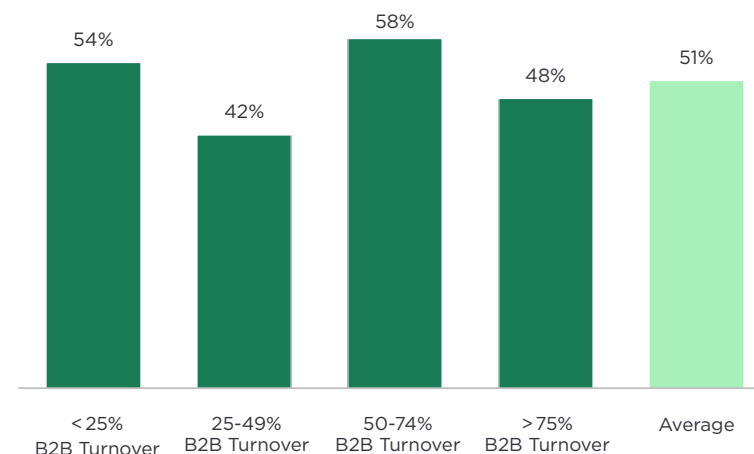
The two main drivers to start acting on decarbonisation are regulatory changes and energy prices. 70% of respondents mention regulatory changes as a driver, with new regulations being introduced and implemented at European and domestic levels, both across sectors and industry specific. The current energy crisis is also a major decarbonisation driver across all sectors (60% of respondents).

Decarbonisation drivers



The third main driver, client pull, is quoted by 51% of respondents as a motivation to start acting on decarbonisation and is perceived as such across all sectors with pressure coming from both B2B and B2C clients.

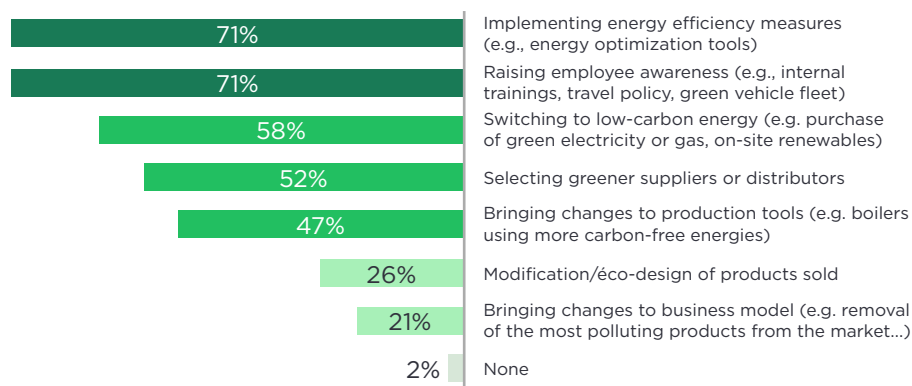
% of respondents quoting “Client pull” as a decarbonisation driver (by % of B2B turnover)



When looking at the decarbonisation actions taken over the last 12 months:

- Companies have been primarily focusing on the two most obvious and more easily actionable levers, as quoted by more than **70%** of the respondents: implementing energy efficiency measures and raising employee awareness.
- Three levers have moderate adoption rates but were present across all industries and region considered: switching to low-carbon energy, selecting greener suppliers or distributors, and bringing change to production tools. These three have a strong impact on the operating model across the value chain (e.g., suppliers and production tools)
- Finally, respondents have taken less action on more transformative actions which directly impact products/services sold, like modifying the final product and changing their business model. Activating those transformative levers require heavier investment as well as more time and resources for strategic planning and implementation.

### Decarbonisation levers used by respondents over the last 12 months



## 3 For a vast majority of companies, actions to reduce emissions are still being deployed opportunistically, as only 11% have started to invest significantly based on a structured decarbonisation plan

Different behaviours were observed in European mid-market companies' approach to decarbonisation. These can be consolidated in **4 "paths to decarbonisation"**, depending on whether companies measure their carbon footprint, build a roadmap, and start to deploy strong investments. Only **11%** of the respondents declare having "strongly invested" to abate

their GHG emissions based on a structured decarbonisation plan (including measuring their GHG emissions baseline and building a strategic roadmap). The European mid-market companies still need support in measuring and strategic planning for embracing all the opportunities that may arise from the decarbonisation.

### 4 paths to decarbonisation

| Group       | Description  | % in sample |
|-------------|--|-------------|
| "Achievers" | Have measured their carbon footprint, built a decarbonisation roadmap, and declare having "strongly invested" in reducing GHG emissions  | <b>11%</b>  |
| "Doers"     | Declare having "strongly invested" in reducing GHG emissions without necessarily having both (i) measured their carbon footprint and (ii) built a decarbonisation roadmap beforehand | <b>27%</b>  |
| "Planners"  | Have measured their carbon footprint and/or built a decarbonisation roadmap without having "strongly invested" yet   | <b>35%</b>  |
| "Laggers"   | Do not declare having "strongly invested" nor started any "pre-work" yet (i.e., measuring carbon footprint and/or building a decarbonisation roadmap)                                | <b>27%</b>  |

Amongst the **62%** of companies which declare not having "strongly invested" in decarbonisation yet (**35%** of «Planner» and **27%** of «Laggers») more than half have done at least one of the 2 steps of climate strategy planning (measuring carbon footprint and/or building a decarbonisation roadmap). This paves the way for upcoming investments in climate transition.

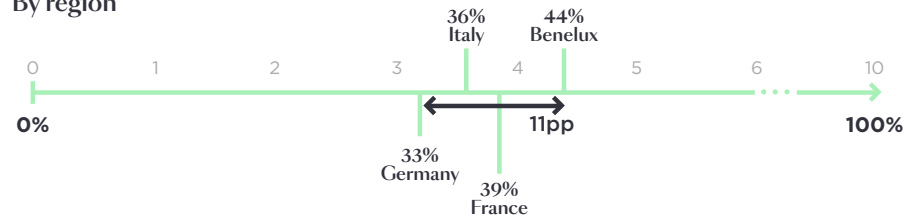
For context, large companies have been required by EU's NFRD (Non-Financial Reporting Directive) to track and publish their ESG performance since 2017. Starting 2024, the new CSRD (Corporate Sustainability Reporting Directive) will mandate similar reporting to a broader spectrum of companies starting with larger ones and then extending to SMEs.

## 4 Mid-market companies have started to act on decarbonisation across all European regions studied; however, different decarbonisation dynamics can be observed between sectors and ownership

The share of mid-market companies who declares having « strongly invested » in abating their GHG emissions is exceeding **33%** in all regions studied. This highlights the homogeneity of decarbonisation dynamics across regions, notably pushed by the EU Green Deal and common environmental regulations across the EU.

### Share of respondents declaring having « strongly invested » in decarbonisation

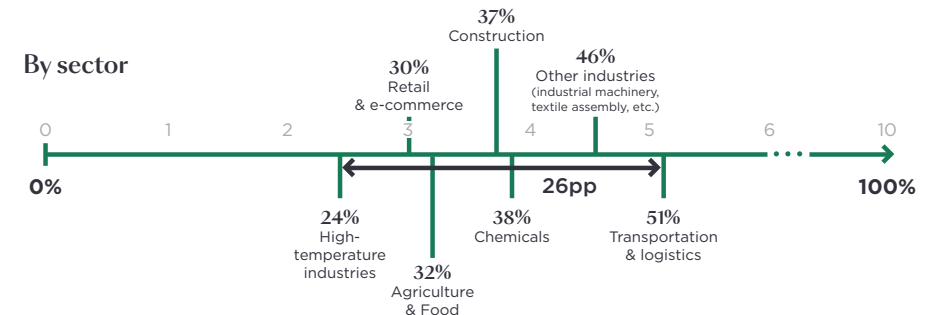
#### By region



Differences between sectors are more significant though, with only **24%** of respondents of the High-temperature industries declaring having « strongly invested » in decarbonisation, vs. **51%** in Transportation & Logistics.

### Share of respondents declaring having « strongly invested » in decarbonisation

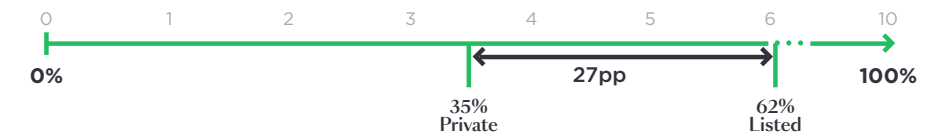
#### By sector



When analysing dynamics per kind of ownership, variations again are significant. Private companies clearly lag behind their listed peers, highlighting the impact of stricter environmental reporting requirements that listed companies have been subject to for many years. All stakeholders now carry the responsibility to push private companies towards decarbonisation.

### Share of respondents declaring having « strongly invested » in decarbonisation

#### By ownership



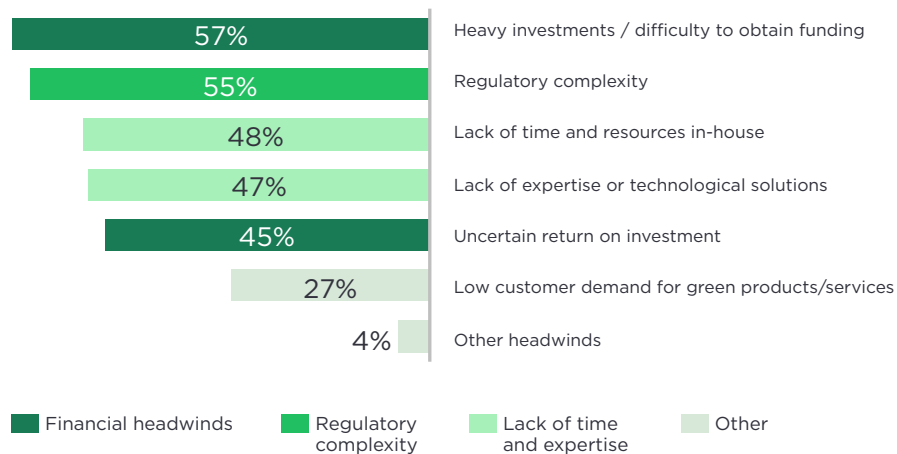


## 5 European mid-market companies are optimistic about the achievability of 2030 targets (70% declare that they seem achievable) while they need external support to overcome 3 main headwinds

When asked about the efforts related to the climate transition required by 2030, almost **70%** of respondents declare that they seem achievable. However, within these, **78%** also mention that the achievability of their goals will depend on **external stakeholders**.

European mid-market companies face three main headwinds to their climate transition which all appear at the same level among respondents: (i) financial headwinds (i.e., level of investments required combined with the difficulty to get access to the necessary funding and uncertain return on investment), (ii) regulatory complexity, and (iii) lack of time and expertise.

### Headwinds to GHG emissions reduction



To mitigate the **financial headwinds** mentioned by respondents, investors have a crucial role to play in supporting mid-market companies in the implementation of decarbonisation investment projects. They can guide management navigate the complexity, provide tools and guidance, support decarbonisation initiatives and accept longer term returns for climate related projects.

To alleviate **regulatory complexity**, EU regulators have a critical role to play to trigger climate action of mid-market companies. Regulators need to balance the EU leading climate ambition with regulatory simplicity. More clarity on the role of mid-market companies in the EU climate strategy and dedicated measures to support them would help accelerate the transition.

Finally, contrary to large companies, mid-market companies rarely have sufficient scale to hire the necessary **internal talents** nor to develop **in-house expertise** and deliver ambitious decarbonisation roadmaps. Engagement of all stakeholders (regulators, investors, governmental agencies, business partners, solution providers<sup>(1)</sup>) addressing the specific needs of mid-market companies is critical to the success of their decarbonisation initiatives.

<sup>(1)</sup> E.g., Energy suppliers, energy services companies, low-carbon technology companies, equipment manufacturers

# Methodology

This survey was carried out by OpinionWay in 4 regions of the European Union (France, Germany, Italy, and the Benelux).

In July 2023, 700 mid-market companies were interviewed by phone. The respondents were selected to ensure an optimal knowledge of climate transition challenges. 52% of respondents hold top management positions while the remaining 48% hold positions directly related to the climate transition (e.g., in charge of HSE, CSR, quality).

The sample covers\*:



**Geography:** 700 mid-market companies across 4 regions (France, Germany, Italy, Benelux) with 175 companies per region.



**Company type:** Targeting companies under €1bn turnover and under 1,000 employees, both private and public-owned.



**Sector:** Focusing on sectors with a direct impact on decarbonisation (i.e., emissions related to scope 1, scope 2, and upstream scope 3<sup>(1)</sup>) with approximately 100 mid-market companies by sector across 7 sectors (Transportation & Logistics, Construction, High-temperature Industries, Chemicals, Agriculture & Food, Retail & E-commerce, Other Industries).

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\*Adjustments to the sample were made by OpinionWay to reflect (i) the real-life share of small vs. medium-sized enterprises and (ii) the actual weight of each sector in our target regions.

<sup>(1)</sup>Scope 1: Direct emissions from sources owned or controlled by a company  
Scope 2: Indirect emissions from purchased electricity, heat, steam, and cooling  
Scope 3: All other emissions associated with a company's activities