

Toward a Climate Neutral and Circular European Union: the Impact of Environmental Public Policies on SMEs Carbon Energy Phase-Out.

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To achieve a climate-neutral and circular European Union (EU), a transition from fossil fuels to renewable energy (RE) is essential. Small and medium-sized enterprises (SMEs) are crucial in this transition, as they are significant contributors to both the EU's economy and industrial pollution. However, limited research exists on the drivers of their RE adoption. This study contributes to this research gap by bridging three research domains: circular economy, green innovation, and sustainable and green transition. It contributes to the literature on carbon energy path dependence by empirically testing the role of the policymakers in SMEs' phase-out from carbon-energy sources.

Our analysis relies on a multi-level dataset that covers the EU 27 countries. Results indicate that stringent environmental taxes and pro-environmental public investments effectively incentivize SMEs towards the adoption of RE. While fossil fuel subsidies do not directly discourage RE adoption, minimizing them might amplify the positive impact of pro-environmental investments.