Environmental Claims

**Findings and Conclusions of the
OECD Committee on Consumer Policy**

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FOREWORD

        The Committee on Consumer Policy launched a project to examine ways to enhance the value and effectiveness of green claims in April 2009. In support of the work, a workshop with representatives from government, business and civil society was held in April 2010 [see DSTI/CP(2010)18/FINAL]. This report presents the findings and conclusions of the Committee's work. It was finalised and declassified by the Committee at its 80th Session in November 2010.

**ENVIRONMENTAL CLAIMS:
CONCLUSIONS OF THE OECD COMMITTEE ON CONSUMER POLICY**

Background

In 2009, the OECD adopted a Declaration on Green Growth which called on the Organisation to develop a horizontal Green Growth Strategy aimed at achieving economic recovery and sustainable economic growth. In support of this project, the Committee on Consumer Policy (CCP) agreed to examine ways that information on the environmental characteristics of products could be improved so that consumers could make more informed choices. It organised a workshop in April 2010, on *Enhancing the value and effectiveness of environmental claims: Protecting and empowering consumers*. The meeting brought together representatives from government, business and civil society to exchange views on how issues to improve the value and effectiveness could be addressed.

Following the Workshop, the Committee discussed what had been learned and what the implications were for policy making, and prepared this report, which contains findings and policy conclusions.

Findings

The Committee's work established the following, which draws extensively on the report of the conference proceedings:

What are environmental claims?

Environmental claims, also termed "green claims", are assertions made by firms about the environmentally beneficial qualities or characteristics of their goods and services. They can refer to the manner in which products are produced, packaged, distributed, used, consumed and/or disposed of. In addition to environmental aspects, these claims are sometimes defined to include the socially responsible or ethical manner in which products are produced and distributed.

Environmental claims can appear on a product (*i.e.* good or service) label, its packaging, in related literature or advertising material, as well as in promotional and point-of-sales material, and other forms of marketing. Claims can take the form of words, symbols, emblems, logos, graphics, colours and product brand names. They can be transmitted through the written media, including newspapers and magazines, electronic media such as television and radio, and digital media such as the Internet.

The International Organisation for Standardisation (ISO) has drawn up a group of standards specifically governing environmental labelling as part of its ISO 14000 series of environmental standards. The ISO 14020 family covers three types of labelling and declaration schemes:

- **Type I** (ISO 14024) is a label developed by a third party, either a governmental (*e.g. European Flower, Nordic Swan*) or private organisation (*e.g. Forest Stewardship Council).*

- **Type II** (ISO 14021) is a label developed by the producer or a self-declared environmental or "green claim".

- **Type III** (ISO 14025) declarations are based on quantified life cycle product information. A qualified third party establishes reporting parameters; the data subsequently provided by companies using the parameters are then independently verified.

How is the use of environmental claims evolving?

In response to growing consumer concern about environmental degradation and climate change, self-declared environmental claims are increasing as a corporate marketing tool. In addition to labels, surveys indicate that they are growing in frequency in written marketing, as well as in the electronic media (television and radio) and digital media (Internet). Environmental claims are used in many sectors, including energy, motor vehicles, household products, textiles, building supplies, and food and drink. They are also used in packaging, across sectors. Some of the claims are very general, *e.g.* eco-friendly, carbon neutral, green; others are not well-defined, *e.g.* natural, energy efficient, non-toxic, low carbon, pollutant-free, clean, zero emissions, sustainable, ethical and fair. While some claims are believed to be unsubstantiated and possibly inauthentic (which is often referred to as "green washing"), assessments find that these are generally cases of exaggeration, rather than outright falsehoods.

What value do such claims have for consumers?

According to surveys in OECD countries, consumers are increasingly expressing the desire to purchase environmentally friendly goods and services. However, some surveys suggest that consumers are often confused about the meaning and veracity of self-declared environmental claims, particularly those which are vague or unsubstantiated. An increasing number of consumers believe that companies portray themselves to be environmentally friendly and engage in "green washing" in order to increase sales and raise prices. While consumers seem to have more confidence in third-party labels, they often do not distinguish between third-party verified labels (Types I and III) and self-declared claims (Type II), and confusion appears to exist over the different types of claims. This can arise for these three types of labels, as well as, more generally, for all types of environmental claims. The 2010 *Greendex*, an annual survey of consumer habits in 17 countries by the National Geographic Society and GlobeScan Inc., found that consumer cynicism about environmental claims is leading to a reduction in eco-friendly purchases in some countries.

How are firms responding to consumer interests in and concerns about environmental claims?

Many firms are worried that consumer confusion and scepticism will devalue legitimate environmental claims and reduce consumer confidence in the market for green products and services. While industry guidelines, voluntary codes of conduct, and procedures for self-regulation of environmental claims have existed for many years, the introduction of new claims has resulted in updates and educational initiatives to educate and remind advertisers about how to structure supportable self-declared environmental claims. In 2010, the International Chamber of Commerce (ICC) issued a *Framework for Responsible Environmental Marketing Communications* that builds on existing provisions of the ICC *Consolidated Code of Advertising and Marketing Communication Practice* to further guide businesses in accurately explaining the green attributes of their products. The Framework includes a user-friendly checklist that advertisers can review and complete, as an aid to verifying that environmental claims are accurate and not misleading. A number of companies are also conducting life-cycle assessments of their products and developing their own lines of eco-labelled goods and services.

What actions are governments taking to improve the value and effectiveness of green claims?

Governments have taken actions in four main areas to improve the value and effectiveness of these claims: *i)* consumer education; *ii)* environmental claims guides; *iii)* mandated environmental labelling requirements; and *iv)* legal action and enforcement.

Consumer education

Within the framework of broader actions to improve the reliability of claims, governments can educate consumers about environmental labels, terms and symbols so that they can make more informed choices. Consumers can be provided with practical knowledge and skills to distinguish between types of environmental labels and to discern the meaning and truthfulness of environmental claims, both in general and for specific products (such as motor vehicles, household products, building supplies, food and drink, appliances, and energy services). For example, they can be educated to better understand fuel-economy ratings for vehicles and energy efficiency labels for appliances and the meanings of terms such as organic, carbon-neutral or biodegradable. The UN Marrakech Task Force on Education for Sustainable Consumption has initiated a campaign to reduce consumer confusion concerning environmental claims, with a focus on developing countries. In 2009, the CCP agreed on policy recommendations[1] for promoting consumer education on sustainable consumption. These indicate that sustainable consumption education should be based on long-term trends in consumption and examination of consumer behaviour and household decision-making.

Environmental claims guides

Several OECD countries have developed guides for business to explain how their marketing laws and standards apply to environmental claims. Many of the guides also seek to clarify the ISO standards on Type II self-declared environmental claims, and reinforce the recommendation that these claims should be relevant, clear, accurate, substantiated, comparable, verifiable and not misleading. Some governments have provided sector-specific guidance (*e.g.* motor vehicles, energy, textiles) and attribute-specific guidance (*e.g.* carbon neutral, energy efficient). Many of these "Green Guides" for business are now being updated. The International Consumer Protection and Enforcement Network (ICPEN) has drafted best practices for agencies developing Environmental Marketing Claim Guides, including specifications that these claims should be: *i)* made in clear and plain language; *ii)* accurate, honest and truthful; and *iii)* verifiable and/or able to be substantiated. ICPEN also recommends that government guides should illustrate the appropriate use of green terminology through case studies and examples.

Mandated environmental labelling requirements

In order to reduce consumer confusion, governments can clarify the distinctions between different types of environmental labels, including those which are mandated, and the meaning of commonly-used environmental terms. Some governments require energy efficiency labels for certain appliances and goods, as well as for fuel efficiency, and carbon emissions labels for motor vehicles. These labels are typically predicated on conducting specific tests related to energy usage. At present, the European Union is clarifying product labelling requirements under its Energy Labelling Directive, and is working on criteria for the voluntary EU Ecolabel. Governments can require modalities for displaying environmental product information (*e.g.* in standard locations, large type or colour codes) and set conditions for the use of environmental terms, such as "sustainable" and "eco-friendly". With respect to terminology, the EU and some countries have legislation regarding the use of the terms "bio" and "eco" on food products. Owing to the increasing number and diversity of environmental and social product claims, the aggregation of claims on single labels is being explored. There are also calls from some stakeholders for more harmonised standardisation and certification processes for environmental claims across countries and for mutual recognition of environmental labels on a global scale. However, as long as environmental or other claims are truthful and not directly misleading, in general advertisers are not prohibited from making such claims.

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[1]   *Consumer Education: Policy Recommendations of the Committee on Consumer Policy* Annex I (2009) http://www.oecd.org/dataoecd/32/61/44110333.pdf

Legal action and enforcement

Governments can take actions on environmental claims under existing general false advertising laws or under specific rules that apply to particular claims. While the requirement that an advertiser have a reasonable basis to make a claim at the time the claim is made is a longstanding legal requirement in most countries, and is not unique to environmental claims, it is noted that governments have become more active in assuring that environmental claims are verifiable and substantiated. Penalties for false claims, including green claims, include criminal convictions and fines, infringement notices and injunctions. The Australian government, for example, has taken more than 30 court actions against misleading environmental claims in recent years to enforce the country's *Trade Practices Act*; this is seen as strengthening jurisprudence in the courts. At the same time, other countries, such as Canada and the United States, have taken action or secured voluntary agreements with business to address problematic environmental claims and schemes**.**

What actions is the business community taking to improve claims?

The business community has focused on the development of industry codes and guidelines to address environmental claims issues. These have largely taken a self-regulatory form.

ICC Instruments

The ICC *Consolidated Code of Advertising and Marketing Communication Practice* provides basic principles for truthful advertising for businesses around the world. Recently supplemented by the ICC *Framework for Responsible Environmental Marketing Communications*, the Code and the Framework serve as tools which advertisers can use to develop truthful claims.

National Advertising Self-Regulatory Bodies

Around the world, the advertising community has developed and supports self-regulatory bodies that handle challenges from consumers or competitors to particular advertising claims. These organisations evaluate and issue opinions on the truthfulness of a wide range of advertising. The broad support of industry for these organisations has reportedly resulted in a very high degree of compliance with their recommendations.

Conclusions

The Committee's work underscores the complexity of the issues and challenges facing stakeholders in the field of environmental claims. There is agreement, however, on a number of basic principles that could enhance the value and effectiveness of claims. Stakeholders could explore efforts to ensure that:

- claims are relevant, targeting the key environmental aspects of the products concerned;

- environmental claims are sufficiently substantiated and supported by adequate and proper tests, as appropriate;

- claims are subject to adequate monitoring and verification;

- measures to combat misleading, confusing and false environmental claims are effective;

- compliance and enforcement of consumer protection laws and regulations are strong, clear and transparent with respect to claims.

- regulatory frameworks are coherent, focusing on raising the quality and reliability of claims;

Delegates further agree on the benefits of:

- encouraging the development of claims that are clear (*i.e.*, easy to understand) and comparable (*i.e.*, claims can be easily compared when evaluating competing products);

- promoting consumer education on and awareness of the meaning and proper interpretation of claims;

- promoting education for businesses concerning the proper development and use of environmental claims;

- heightening consumer awareness of the environmental consequences of their purchases;

The importance of the co-operation among stakeholders in support of the above is stressed.

Finally, delegates concur that further work by international organisations that are active in the field would be beneficial in several priority areas, as follows:

- *Best practices for environmental claims policy:* A review of the types of policy instruments now in place and best practices in their effective use by governments and self-regulatory organisations is seen as beneficial as it could facilitate the development of improved policies. Such work, however, would need to recognise that factors influencing consumer perception of green claims may vary among countries; policy approaches might therefore have to be tailored to the specific circumstances of each jurisdiction. Areas that could be reviewed include:

  - *Definitions*: definitions and guidance for the use of terms such as carbon neutral or climate neutral, biodegradable and recyclable, sustainable;

  - *Standards:* requirements for self-declared environmental claims (Type II), *e.g.* that they are specific, relevant, based on evidence and data, relate to the life-cycle of products, and use agreed calculation methodologies that facilitate comparability, such as for greenhouse gas emissions;

  - *Labelling* requirements for environmental labels such as visibility and placement and use of certain terms, *e.g.* energy efficient, organic, ecological;

  - *Business green guides*: recommendations regarding general, product- and attribute-specific environmental claims made by business.

  - *Monitoring compliance*; techniques that are used to ensure that policies are being adhered to; and

  - *Enforcement*: types of penalties and extent of enforcement actions against environmental claims.

- *Research on consumer perceptions and behaviour*: Work already carried out suggests that many consumers are uncertain about and sceptical of green claims. On the other hand, many appear to want to see companies do more to promote environmentally responsible options. To this end, further research on how consumers understand green claims would be beneficial, as would

research on how claims affect consumer behaviour. How the framing of information influences consumers needs to be addressed in this work.

- *Educating consumers:* Effective approaches for raising consumer awareness and for designing consumer education on the use of green claims are endorsed. Such research could assist in the design of education initiatives, such as information campaigns, educational materials, and curriculum design.

- *Other research*: Further research on the following topics would also be beneficial: *i)* how and to what extent the use of claims affects the sale of the products concerned; *ii)* what could be further done to raise the quality and reliability of claims; and *iii)* what could be done to enhance media literacy with respect to green claims issues.