

Memorandum: Environmental Audit Committee Inquiry into Environmental Labelling A response from the Sustainable Development Commission

The Sustainable Development Commission (SDC) is the Government's independent advisor and watchdog on sustainable development, reporting to the Prime Minister and the First Ministers of Scotland and Wales. Through advocacy, advice and appraisal, we help to put sustainable development at the core of Government policy.

1. Executive Summary¹

Environmental labels have a role in getting more sustainable products and services on shelves and in homes, but there needs to be better understanding about what labels are, and are not, able to achieve. Both the Sustainable Consumption Roundtable² and ACCPE³ came to the same conclusion; namely that labels and standards are only one of a wide range of "tools" that can be used to stimulate the greening of products and services. Therefore, it is important that environment labelling is considered – not as a starting point for behaviour change but - in the broader context of sustainable product policy.

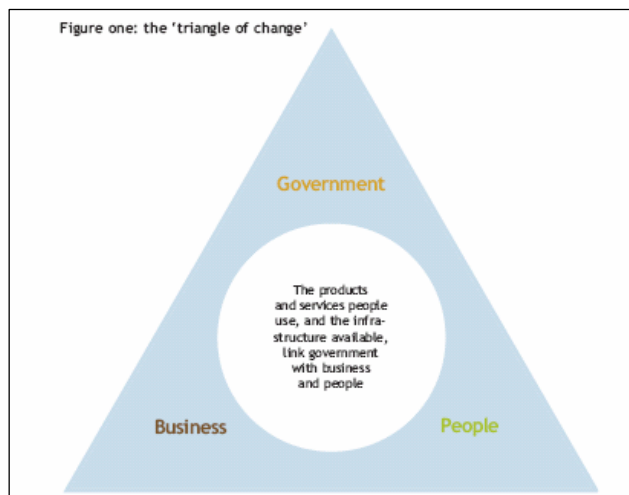
Consumers are typically considered to be the main audience for labels, with the goal of influencing their purchasing choices. However, whilst 'green' labels have been helpful for the willing green consumer, they have rarely worked to influence the purchases of the vast majority of mainstream consumers.⁴ Instead the standards have been much more successful in changing **how businesses produce products**, and influencing **what type of products retailers choose to stock**. Labels can also help stimulate more targeted and sophisticated product policy interventions from government, such as the use of the A-G vehicle label to support excise duty banding on the basis of fuel efficiency.

So any new labels need to be designed in a way that supports the many product policy tools that might be used by Government and business.

2. Why a label?

Labels are often targeted at consumers with the intention that consumer demand will pull more sustainable products through the market. However, as concluded in *I will if you will* an illustrated in Figure one, sustainable consumption requires that all three actors in the economy -- government, business and consumers - work together to achieve change.⁵

Consumer information only works as a tool to influence the choices of the minority of **people** who are already committed to pro-environmental products. The green consumer alone cannot change



¹ The following conclusions have come from the SDC's *Little Red Tractor* report in 2005 and the *Looking Forward, Looking Back*, product research for the Sustainable Consumption Roundtable in 2006.

² The Sustainable Consumption Roundtable was a joint initiative between the National Consumer Council and the Sustainable Development Commission sponsored by Government and reported in May 2006 with the publication of *I will if you will*.

³ Advisory Committee of Consumer Products & Environment www.defra.gov.uk/ENVIRONMENT/consumerprod/accpe/index.htm

⁴ *Looking Forward, Looking Back*. 2006. Sustainable Consumption Roundtable

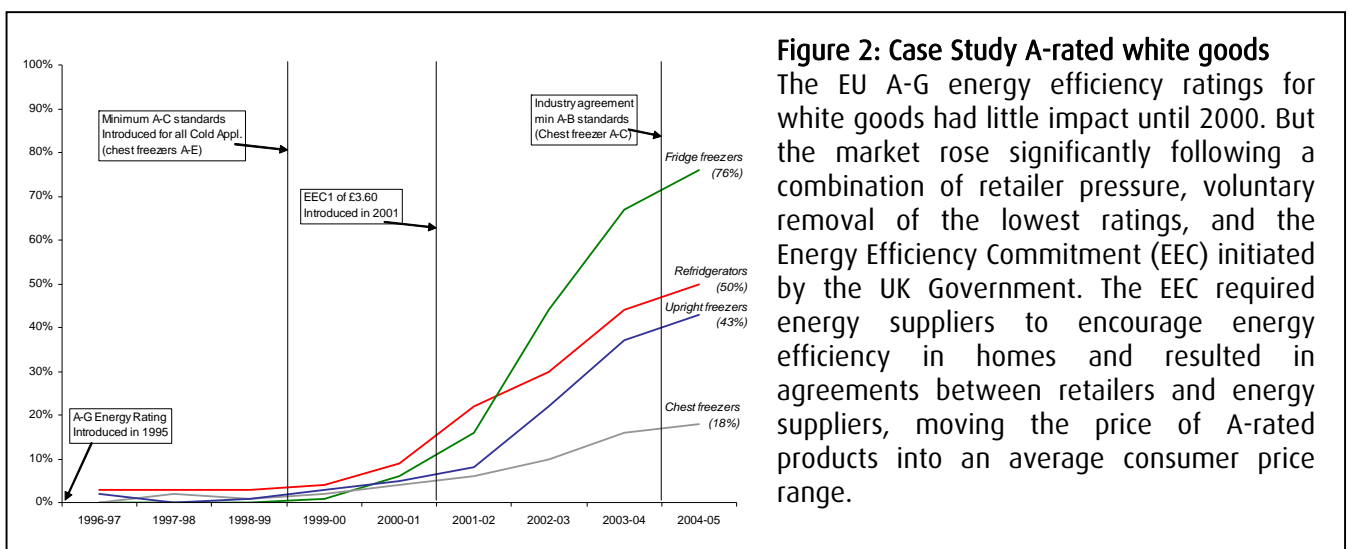
⁵ *I will if you will*. 2006. Sustainable Consumption Roundtable p.7

the mass market. As a result, labels should not be developed with this sole objective in mind.

Labels can however influence **businesses**. Labels and their underlying standards can help to stimulate businesses to change production methods, demand higher standards from suppliers, or encourage retailers to 'choice edit' the products they offer. They can also be used as a performance benchmark that prompts competition amongst businesses.

Labels can also enable more targeted and sophisticated policy instruments from **government**. Labels and standards are a pre-requisite for many product policy interventions such as procurement, minimum standards or fiscal measures. The government already have a 'toolbox' of policy options available to them to support anticipated changes in the behaviour of either public or business.⁶

Figure two below, illustrates how coordinated interventions by government and business that build on labelling schemes, can dramatically change markets.



3. Sustainability & rationalisation of labels

The SDC considers that there needs to be a careful balance in environmental labelling between covering key sustainability areas, and being specific enough to support product policy interventions from business and government, as well as communicate clearly and effectively with consumers. 'Narrow' environmental labels have spawned a proliferation of other single-issue labels, particularly on food. These labels can confuse consumers about 'trade offs' between sustainability objectives (e.g. locally produced or fair-trade) and/or impacts at different points along the product lifecycle.

In its review of the Little Red Tractor⁷, the SDC called for assurance schemes that embrace the whole sustainable development agenda. One key SDC concern is that many existing 'environmental' labels do not sufficiently reflect the breadth of sustainability issues. For example, line-caught tuna may protect dolphins from nets, but does not mean that tuna or dolphins are protected from over-fishing. Some labels, such as proposed carbon labels, may potentially conflict with other sustainability objectives such as poverty

⁶ *You are what you sell*. 2007. Sustainable Development Commission. (Draft attached with submission)

⁷ *Sustainability Implications of the Little Red Tractor*. 2005. Sustainable Development Commission. <http://www.sd-commission.org.uk/publications.php?id=195>

alleviation in developing countries. The lifecycle impacts of products are complex, and unsophisticated simplification of these impacts can be damaging and distort the response from business and consumers.

That said, the SDC does not perceive a strong case for rationalising environmental labelling, or for prioritising certain issues. Each product has unique lifecycle impacts and businesses should be encouraged to tackle issues that have greatest impact. Evidence suggests that some bespoke labels, such as the Forestry Stewardship Council, have been very effective in supporting action by government, business and consumers. In contrast, the EU Eco-label, which has attempted to address all environmental issues on all products, has so far failed to gain traction in the UK. Whilst it is logical to want to rationalise labels, this suggests that a fully generic label is likely to fail to support the product policy actions that are required.

As a result, the SDC considers that there needs to be a balance between covering key areas of concern and being specific and detailed enough to support product policy interventions from business and government. Integrating wider sustainability issues into labels, though it may add some complexity, will avoid market distortions and, as a further benefit, may also work to reduce the confusing number of health, safety, ethical and environmental labels already in existence or planned.

Carbon labelling:⁸

While the SDC completely support the goal of reducing the carbon intensity of products, and companies wishing to signal their commitment to reduce carbon, we remain sceptical of the value of translating carbon footprint of products into a label for consumers.

On a purely practical level, the methodology of carbon footprinting remains problematic. The SDC welcome the governments involvement⁹ in developing metrics for embedded carbon, but this is in its early stages. Carbon labels are already in shops. One key issue is scope, i.e. does the footprint include carbon from the in-use and disposal stages? There is also the need to agree the methodology and label internationally, or we risk creating a UK-only system that is irrelevant elsewhere.

Carbon labelling could also be problematic for sustainability. The biggest sustainability impact of some products may not in fact be carbon. Chemicals, animal welfare, trade conditions, labour conditions and water use, are all significant global issues not reflected in a carbon footprint. Concentrating solely on carbon could potentially be detrimental to these other sustainability objectives.

The third key issue is, what are people able to do with the information they are given? A carbon footprint in grams of CO₂ provides no clear message or reassurance about the sustainability of a product. It may even confuse people to thinking that the grams of carbon are actually in the product. The best scenario is that carbon labels will help 'green' consumers make choices. But the priority needs to be influencing the large majority of consumers who do not shop on the basis on their environmental concerns. Labelling cannot do that alone.

Reducing carbon in product supply chains is a must. Measuring and understanding carbon impacts is important. But developing a carbon label for consumers should not be the priority.

⁸ For more information see: Carbon Trust. http://www.carbontrust.co.uk/about/presscentre/260707_CT_label.htm

⁹ in conjunction with Carbon Trust and BSI

4. What action by consumers?

As consumers, much of our impact on the planet is through the purchase and use of products. Products are therefore key to reconciling the twin objectives of sustainable development, 'a strong, healthy and just society' and 'living within environmental limits'¹⁰. However, research for the Sustainable Consumption Roundtable explained that most consumers simply expect the products and services they buy to be produced in a way that is environmentally and socially responsible. If this expectation is proved, or perceived to be, unfounded, consumers can interpret this as meaning these issues are not important, and it discourages people from taking action.

Recent trends in consumer awareness show that there is a growing desire by consumers to understand the social and environmental impacts of products. If labels are well-designed and offer clear and constructive information, they can be beneficial and can, amongst other things, work to:

- support the growing numbers of 'green' consumers wanting help to make pro-environmental choices
- increase awareness among mainstream consumers of the impacts of products, and of what businesses are doing to reduce those impacts
- help influence consumer behaviour where the main product impact is during its use i.e. recommending how to wash clothes.

5. What action by businesses?

For businesses, environmental labelling on their products can also be beneficial. In particular they can signal a commitment to dealing with environmental issues and thus help build brand and reputation. Environmental labels also help to stimulate a better understanding by business of the impacts of products along their lifecycle.

Environmental labels can have most impact where they are able to support action by business, and work to reduce negative impacts of products along the supply chain. Products, particularly those that involve technology, are constantly evolving. As a result, standards need to be able to evolve with these changes to remain effective and relevant. Dynamic standards, such as the Japanese 'top runner'¹¹ approach, drives competition and continuous innovation and improvement in energy using products. It also provides certainty to businesses by identifying the 'direction of travel' of policy objectives. Labels and their supporting standards therefore need to be designed to prompt sophisticated and specific actions that help businesses adjust their activities over time.

Labels should also be designed to enable:

- benchmarking of businesses based on their performance
- standards that can be used by retailers to require certain standards of suppliers
- Retailers to choice-edit the products they offer to consumers

¹⁰ Developed from *Securing the Future: UK Governments Sustainable Development Strategy*. 2005. Five principles of sustainable development P.16. <http://www.sustainable-development.gov.uk/publications/pdf/strategy/Chap%201.pdf>

¹¹ Manufacturers of household energy-using products in Japan are required to meet product standards equivalent to the most efficient model in each category. This 'top runner' approach involves early announcements that set minimum efficiency standards, backed up by fines for any manufacturers or importers who do not conform. The process has driven a virtuous cycle of rapid innovation and choice editing which has improved energy efficiency of new appliances and products by as much as 78%.

6. What action by government?

Government has an important and diverse role to encourage, enable, engage and exemplify the production and consumption of more sustainable products and services – see figure 3.¹² The SDC support the work being done by both the UK and EU governments to develop product policy where products and lifestyles have the largest environmental impacts, transport, home and food.¹³ Another key area for government is setting standards and agreeing guidelines for environmental claims. The SDC have advocated using a toolbox of product policy interventions to facilitate change, some suggested actions are summarised in the bullets below:

a) Engage

- Bringing industries and supply chains together to devise how best to effect change¹⁴ through product roadmapping for sustainability
- Proper engagement and communication with the public about how behaviours and consumer choices can make a difference to sustainability

b) Enable

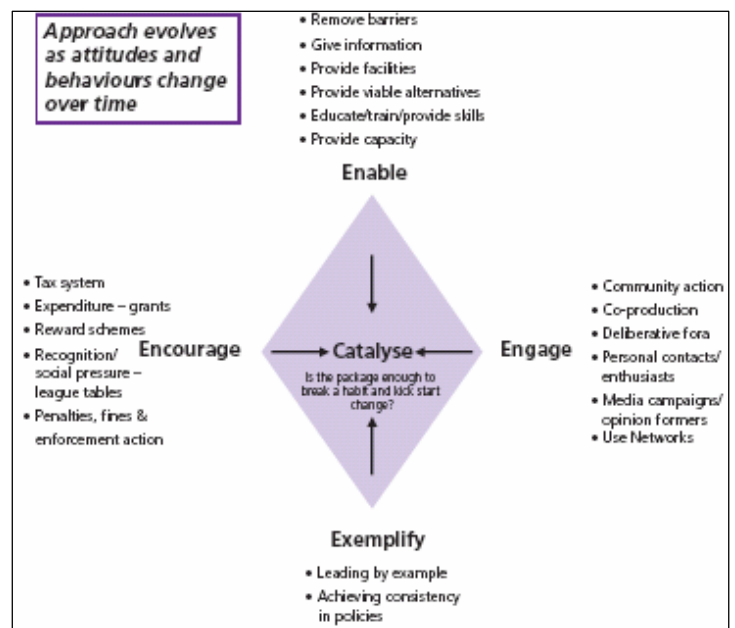
- Mandatory minimum standards to remove advantage for ‘laggard companies’
- Fiscal incentives to support lower impact products (i.e. through grading VAT or vehicle tax etc..)
- Support innovation, research, development and demonstration of new low impact products and services

c) Encourage

- Set long term policy objectives (such as 60% reduction in CO₂)
- Set standards and provide best-practice advice for businesses including on metrics and their interpretation into consumer labels.
- Potentially help develop standard template for design of consumer labels including encouraging businesses to reflect key sustainability issues (potentially building on the existing A-G classifications for white goods)
- Ensuring that standards are properly regulated and inspected to reassure public and businesses of the authenticity of claims.

d) Exemplify

- Public sector procurement of sustainable products and services as an exemplar of best practice.



¹² Diagram taken from Securing the Future. 2005. UK Governments Sustainable Development Strategy. p.26. <http://www.sustainable-development.gov.uk/publications/pdf/strategy/Chap%202.pdf>

¹³ Following recommendations made by the Sustainable Consumption Roundtable, the UK Government are developing ten product roadmaps within these high-impact areas: milk, fish, toilets, passenger cars, TVs, lighting, motors, window systems, plaster board and clothing. For more information see <http://www.defra.gov.uk/environment/consumerprod/index.htm>

¹⁴ For more information see 'I will if you will' 2006

7. Conclusion

Effective environmental labels need careful design. In order that labels and the underlying standards are functional for government, business as well as consumers, they need to be carefully designed to support actions and behaviour change from all three. To achieve the maximum impact, labels need to be supported by interventions from government and business that tangibly reward those taking action.

Sustainable Development Commission
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