

# Environmental Tools:

## Eco-Labeling

### **What is eco-labelling?**

Eco-labelling is a tool that aims to provide information to consumers to help them choose products that have less impact on the environment. Eco-labels provide an opportunity to inform consumers about the environmental characteristics of a product or service that may not be readily apparent. With this information, consumers have the ability to reduce the environmental impacts of their daily activities by purchasing environmentally sensitive products and thus minimizing environmental consequences associated with certain goods and services. By empowering consumers to make informed comparisons amongst products, they vote for their preferences in the marketplace and therefore can direct the market toward products that minimize environmental impacts. The labels further encourage producers to choose environmentally sound production processes because they can give a product an advantage in the marketplace.

Most eco-labelling programs are mandatory (government initiated and run), but can also be voluntary in nature (set up through private or non-governmental organizations). Mandatory programs allow for comparison across all like products or services, whereas voluntary programs seek to exclusively highlight leaders (although only to the extent those leaders voluntarily come forward).

### **Where are they used?**

Successful eco-labelling systems must be widely recognized, credible and demonstrate accountability to achieve public buy-in. The number of such programs in place around the world is continually increasing. Some examples include:

#### [The Environmental Choice Program \(ECP\)](#)

Sponsored by Environment Canada, this voluntary program provides a market incentive to manufacturers and suppliers of environmentally preferable products and services. Established in 1988, the ECP emerged as the second national eco-labelling initiative undertaken worldwide.

#### [EnerGuide](#)

EnerGuide is a Natural Resources Canada mandatory initiative that guides consumers to more energy-wise choices when buying new appliances. The EnerGuide label shows how much energy appliances consume in a year of normal operation, making it easy to compare models to others of the same size and class. The program increases public awareness of the link between energy and the environment and promotes the use of energy-efficient technology.

#### [United States EPA ENERGY STAR Program](#)

This American government-sponsored program encourages energy efficiency in businesses and homes. For households, the ENERGY STAR label helps consumers make

energy efficient choices for appliances, heating and cooling, home electronics, lighting and other equipment. For businesses, the ENERGY STAR partnership program offers an energy management strategy that helps measure energy performance, set goals, track savings and reward improvements. The program provides an innovative energy performance rating system, which businesses have already used for more than 19,000 buildings.

### Eco-Labeling Flower Mark (European Union)

This is a voluntary initiative that awards a Community Eco-label to products and services with proven reduced environmental impacts. Eco-criteria are established for individual product groups, such as paper products, textiles, detergents, paints and appliances including refrigerators and dishwashers. The European Union label is recognized as a highly credible symbol, and consumers can be confident products have less environmental impact than other similar competing products or products with often misleading environmental claims.

### **Tool performance:**

#### **Pros**

- Informing consumer choice – information empowers people to choose products that are less harmful to the environment, promoting energy efficiency, waste minimization and product stewardship.
- Stimulating market development – when customers choose eco-labelled products, they have a direct impact on supply and demand in the marketplace. This sends a strong signal to manufacturers and directs the market towards greater environmental awareness.
- Encouraging continuous improvement – a strong market demand for eco-labelled products encourages corporate commitment to continuous improvement. Customers can expect to see the environmental impacts of products decline over time, although this is dependent on the extent that the criteria for awarding the label are regularly updated.
- Encourages better environmental performance – an environmental certification program is a seal of approval, which shows a product meets specific eco-label standards. Certification therefore has an educational role for customers and promotes competition among manufacturers. Coveting the logo may encourage manufacturers to re-engineer products so they are less harmful to the environment.
- Assisting in monitoring – an eco-labelling program allows environmental claims made by participating firms to be easily monitored. Competitors and customers are in a better position to judge the validity of a claim and will have an incentive to do so should a claim appear false or misleading.
- Promoting economic efficiency – eco-labelling is typically less expensive than regulatory controls. Empowering customers and manufacturers to make environmentally sound decisions keeps the need for regulation to a minimum, assuming the program is effective in achieving better environmental performance. This is beneficial to both government and industry.

#### **Cons**

- Credibility – credibility is crucial to the success of voluntary and mandatory eco-labelling programs. In order for eco-labels to be an effective marketing tool, consumers must believe the label makes an accurate claim. Terms such as “recyclable,” “biodegradable” and “ozone friendly” must be used accurately. When claims are used arbitrarily in advertising and labelling, customers will become confused, discouraged and skeptical - even of legitimate claims.
- Uninformative claims – labels that provide trivial or irrelevant “green” information do nothing to reduce environmental impacts.
- Cost – some eco-labelling programs can be expensive. Potentially high administrative and adaptive costs associated with eco-labelling programs may make them unreasonable for some producers. Green producers who want to export their products to multiple markets incur substantial costs in gaining the right to use the eco-labels specific to each market.
- Feasibility – there is concern that only a small number of products can realistically be labeled as “green.” Since the majority of goods are not covered by eco-labelling programs, some critics point to regulation as a more effective tool.
- Methodologies – differences in testing and certification methods have created a challenge in the application of an eco-label to a particular product category. For example, should the label represent an overall assessment of a product’s environmental burden over its entire life cycle, or some subset of it? What techniques can be used to measure environmental impact? Who determines what specific environmental impacts are most important? What criteria are appropriate in rating impacts and how do you weigh different criteria against each other? The criteria for eco-labelling in countries where the product is imported does not necessarily reflect environmental priorities and production technologies of producing countries.
- Effectiveness – eco-labels can only have an impact to the extent that a significant share of consumers actually care enough to look and pay for environmentally preferred products and services.
- Increased consumption – often eco-labels can unintentionally encourage increased consumption by assuaging consumers’ guilt.

### **Special considerations:**

Both governments and the private sector have become involved in eco-labelling programs. Government involvement in eco-labelling programs can:

- Improve the program’s economic stability, legal protection and credibility in the eyes of manufacturers and consumers.
- Provide more dependable, long-term resources.
- Overcome high start-up and compliance monitoring costs, thus allowing for greater participation.
- Allow for the incorporation of international standards.
- Provide better accountability and technical expertise and increase the transparency of the standard setting and certification process.
- Ensure public involvement in setting new standards.

Corporate involvement in eco-labelling programs is also important. In particular, private sector programs:

- May be less vulnerable to shifting political priorities and budget constraints.
- May be able to set more stringent standards than government agencies in some product sectors since they do not have to take into account employment impacts.
- Are an effective means of encouraging overseas companies to comply with environmental regulations.