

DG Environment, European Commission

Study on different types of Environmental
Labelling (ISO Type II and III Labels):
Proposal for an Environmental Labelling Strategy

September 2000

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EXECUTIVE SUMMARY

ERM was contracted by the Eco-labelling unit of DG Environment at the European Commission to undertake a *Study on Different Types of Environmental Labelling (ISO Type II and III labels): Proposal for an Environmental Labelling Strategy*. The Terms of Reference for the study are provided in Annex A.

AIMS AND OBJECTIVES

Within the context of the background described above, the aim of the study is to examine the role of ISO Type II and III environmental labels at EU level in order to formulate potential options for a European Environmental Labelling Strategy.

The study has three main objectives:

Objective 1:	to identify the characteristics of each of the ISO label types (Types I, II and III) in isolation from each other and subsequently to recommend future developments
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Objective 2:	to analyse the possible relationship between Type I, II and III environmental labels, including consideration of mandatory and single issue labels
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Objective 3:	to identify potential options for a European Environmental Labelling Strategy
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BACKGROUND INFORMATION

The *International Standards Organisation (ISO)* have developed standards for three types of environmental product claims, termed ISO Type I, II and III. These can be described as follows:

- **Type I** (ISO 14024) claims are based on criteria set by a third party and are multi-issue, being based on the product's life cycle impacts. The awarding body may be either a governmental organisation or a private non-commercial entity. Examples include the EC Eco-label, Nordic Swan and German Blue Angel;
- **Type II** (ISO 14021) claims are based on self-declarations by manufacturers or retailers. There are numerous examples of such claims eg 'made from x% recycled material';
- **Type III** (ISO/TR 14025) claims consist of quantified product information based on life cycle impacts. These impacts are presented in a form that facilitates comparison between products e.g. a set of parameters. However, there is no comparing or weighting against other products inherent within the claim. An example which has similarities with Type III claims is Volvo's product profile for its S80 passenger vehicle.

- **Single issue** labelling schemes such as the private Forest Stewardship Council (FSC) and organic food labels do not fall within any of these categories but are partially covered by ISO 14020 - General Guidelines for Environmental Claims and Declarations.

Current Situation

Communication of the environmental performance of products and services is currently dominated by two extremes: (a) formal selective eco-labels such as the EU Eco-label, Nordic Swan and German Blue Angel, and (b) often uncontrolled, self-declared environmental claims.

Need for Broader Policy Initiatives on Product Information

It is felt that there is a need for a broader, more integrated approach due to the problems caused by misleading claims (so-called 'greenwash') and the fact that the use of formal eco-labels to convey product environmental information is not appropriate in all circumstances. For example,

- time consuming criteria development means that formal eco-labels are less suitable where the duration of the eco-label criteria development process is longer than the products' market lifetime;
- the likely ceiling on the number of product categories within the EU Eco-label scheme and its focus on pan-European products typically used in the home or office, mean that at the European level, some products will not be covered by formal eco-labels;
- due to the selective nature of formal eco-labels, only a minority of products can benefit (i.e. the top 10 - 30% of each product group in terms of environmental performance).

It is in such circumstances that other instruments, *complementary* to the national and European Type I Eco-labels, could add value. This would entail a wider labelling strategy which utilises a range of communication instruments, enabling the most appropriate information and marketing tool to be used within any given context. Bringing Type II and III environmental claims into the European Integrated Product Policy (IPP) tool kit, could thus both expand the current scope of product environmental information and improve its efficacy.

METHODOLOGY

The study was strongly based on the involvement and participation of relevant European interest groups such as environmental and consumer organisations, government bodies and industry (both producers and retailers). The significant stakeholder expertise and experience of environmental labelling meant that the emphasis was placed on obtaining stakeholder opinions and stimulating discussion, rather than producing an ERM 'think-piece'. Due to the scope of the project, stakeholder consultation occurred primarily at the European, rather than Member State, level.

Information and opinions from the stakeholders were obtained via published information sources, questionnaire consultation and a one-day workshop held in Brussels for key stakeholders. This information, and subsequent analysis by ERM, was used to complete the three main objectives outlined above.

ROLE OF ENVIRONMENTAL LABELLING WITHIN INTEGRATED PRODUCT POLICY

To set the issue of environmental labelling in its policy context, stakeholders were asked initially for their opinions on the role and importance of labelling within an Integrated Product Policy (IPP). The responses showed divided opinions, due largely to differences in the *potential* importance of environmental labelling versus its importance in its current state. This strongly suggests that there is a significant need to improve the present use of environmental labels. Additional points highlighted by stakeholders include:

- IPP will have to strike a balance between ‘command and control’ (ie legislation) and voluntary or market based instruments such as environmental labelling, preferably using both in a complementary manner. This balance could change depending on the rate and urgency of progress.
- Environmental labelling is more suited to addressing certain environmental effects and products than others, and hence its use within IPP should be *targeted* to optimal effect.
- The need for complementary and supportive tools and policies such as ‘green’ public procurement and environmental taxation. For too long, the Type I Eco-label, particularly the European scheme, has operated in isolation against a backdrop of uncontrolled self-made claims.

OBJECTIVE 1: CHARACTERISTICS OF LABEL TYPES I, II AND III

Stakeholders were asked to assess the characteristics of Type I, II and III labels against seven key parameters. These parameters were data sensitivity, labelling costs, product availability, consumer education and awareness, consumer understanding, perceived credibility and environmental effectiveness. These parameters were chosen as they are critical to improving the use of the labels by producers and consumers and their use as a policy tool. Mandatory and single issue labels were considered where particularly relevant.

One of the difficulties experienced in undertaking an analysis of label type characteristics at the European level, relates to the degree of variation between labels of the same type, particularly between Member States. For example, there are significant differences between the existing Type I schemes in terms of consumer recognition and product coverage. In addition, there are strong differences in opinion as to the merits of the different label types with some stakeholders supporting Type I but not Type II and vice-a-versa.

However, with these qualifications, the label characteristics identified were then reviewed to identify the principal generic *strengths and weaknesses* of Type I, II and III labels. Based on these strengths and weaknesses, *critical success factors* were then identified which point to '**best practice**' development of each label type and the **supportive actions** needed to ensure their effective use. These were as follows:

Critical Success Factors, including complementary measures

Label Type:		
I	II	III
<ul style="list-style-type: none"> ⇒ Transparency ⇒ Consumer awareness: adequate publicity to ensure recognition of the label and its credibility ⇒ Endorsement by key stakeholders ⇒ Ensuring stringent, significant and up-to-date criteria developed with stakeholder participation to maintain credibility ⇒ Harmonisation of criteria between different Type I schemes, in line with above, to facilitate use by producers ⇒ Robust data checks ⇒ Visibility of logo on product ⇒ Affordable application process ⇒ Appropriate selection of products ⇒ Market penetration 	<ul style="list-style-type: none"> ⇒ Framework to prevent invalid claims: Misleading advertisement directive; ISO 14021; Best practice guidelines ⇒ Potentially some form of verification or data checks ⇒ Sector approach to achieve consensus on <u>significant</u> environmental impacts ⇒ Issue of conflict with Type I needs to be addressed 	<ul style="list-style-type: none"> ⇒ Label format tailored to end user eg consumer vs. Professional purchaser ⇒ Common label parameters and methodology to be developed by industry sector/product group (with significant stakeholder involvement) to enable comparability between products. Preferably harmonised at International or European level to increase cost effectiveness ⇒ Set common Life Cycle analysis and system boundaries ⇒ Data transferable to Type I labels & vice-versa ⇒ Access to data ⇒ Control to ensure validity of approach and data eg: verification by trusted 3rd party ⇒ Dissemination: third party could assimilate product information from Type III claims and make available eg via Internet, possibly accompanied by value judgements ⇒ Issue of conflict or replacement of supplier questionnaires / existing environmental product declarations eg NITO for IT equipment needs to be addressed ⇒ Combined use of life cycle data for Type I and III would reduce costs

OBJECTIVE 2: ANALYSE THE POSSIBLE RELATIONSHIP BETWEEN TYPE I, II AND III LABELS

At present, environmental labels exist and are developed on an individual and independent basis, with no formal framework or guidance regarding their interactions. Whilst this has the advantages of allowing full flexibility and innovation, it can also lead to overlap and antagonisms between label types and consumer confusion at the multiplicity of information formats.

In order to analyse how effective relationships and linkages between the different label types might be developed, it is first necessary to establish the circumstances in which use of each label type is optimised. In other words, if we would like to identify where synergies could occur and where conflicts could be avoided, we need to know when use of a Type II claim is best, when a Type I label is most suitable and so on. Only once this has been ascertained is it possible to begin to delineate the roles of the different label types and establish some order out of the current potential for chaos.

The suitability of Type I, II and III labels in different circumstances was outlined via a *suitability matrix*. The matrix identifies the conditions in which development or use of each label type is most suitable (ie effective) according to key product and purchase variables such as: length of product development, type of purchase decision, range of significant environmental impacts (single or multiple) and consumer awareness of these impacts. Key results were as follows:

Suitability of Type I

- ⇒ Applicable to purchases by individuals & private and public organisations;
- ⇒ Individuals - Quick purchase decisions;
- ⇒ Lack of consumer understanding of complex environmental impacts;
- ⇒ Use as 'soft' policy tool - indirect impact via indication of best practice/future legislation eg re chemicals;
- ⇒ More suitable than single issue where there is:
 - A wide range of environmental impacts;
 - Trade-off between impacts;
 - Low public concern surrounding impacts.

Suitability of Type II

- ⇒ Potentially applicable to purchases by individuals & private and public organisations, if credibility assured;
- ⇒ Individuals - quick purchase decisions - high level of recognition;
- ⇒ Most suitable where there is:
 - Single significant environmental impact;
 - High level of actual or potential consumer concern.

Suitability of Type III

- ⇒ Best suited to purchases by businesses or public bodies;
- ⇒ Potential role in replacing (or structuring) supplier questionnaires if standardised and suitably designed;
- ⇒ Potential use by individual consumers for major purchase decisions with several high concern environmental impacts.

OBJECTIVE 3: IDENTIFY POTENTIAL OPTIONS FOR A EUROPEAN ENVIRONMENTAL LABELLING STRATEGY

Use of Complementary Policy Tools

Any environmental labelling strategy cannot operate in isolation. It will require the use of complementary and supportive policy tools, preferably structured within an IPP. Many of the present barriers to using product information to influence purchase decisions require addressing by other policy tools, for example:

- environmental taxation to address product affordability;
- publicity/educational campaigns eg by NGOs and Government, to raise consumer environmental education and awareness.

Key complementary tools which it is recommended are developed alongside, and linked to, product environmental information are outlined in *Chapter 5* of the report.

Future Options for a European Environmental Labelling Strategy

Strategy options were developed via a pragmatic approach which asked how existing tools could be used within a strategy, rather than starting from a blank sheet or *carte blanche*. Suggested options were requested via the questionnaire consultation and these were then presented and discussed at the stakeholder workshop.

Five strategy options are presented. These comprise three hierarchical strategies involving use of a label type as a 'stepping stone' to encourage and recognise producer efforts on the road to achieving an 'ultimate' label or claim, and two non-hierarchical strategies, one needs-based and the other restricted to Type I, II, III and single issue labels.

The workshop discussion on the strategy options resulted in the following conclusions:

- In devising a future strategy consultees felt that the ISO standards should not be used to restrict innovation or other claim types - instead product environmental information should be designed to meet the needs of specific situations.

- Although some consultees were in favour of a hierarchical strategy using certain label types as ‘stepping stones’, the strong differences in opinion surrounding the merits of type I, II and III labels mean that a hierarchical approach is inappropriate at this stage. It was thus felt that, at present, a strategy needs to provide a framework that can support *all* product environmental information tools.

CONCLUSIONS

The following conclusions were reached in terms of consultee opinions of the characteristics of the different label types and how this feeds into the development of an environmental labelling strategy.

- There is a lack of consensus amongst stakeholders on the merits of the different label types. The differences in opinion arise primarily as a result of the labels’ weaknesses, as identified in the report.
- Discussion of these weaknesses currently dominates the debate and is preventing stakeholders from developing future strategy options in depth. For example:
 - Due to the lack of consensus on the merits of the different label types, no hierarchical strategy will receive the necessary critical mass of support at the present time. This is not to say that a hierarchical strategy will never be suitable and should not be considered in the future. It is to say that major stakeholder differences will remain unresolved until the weaknesses in the label types are addressed, and hence the debate at the moment is focused on an operational rather than a strategic level.
- Since this study was strongly based on stakeholder consultation, the lack of agreement has prevented the full development and critique of strategy options. Instead, the key recommendations present, what are in our opinion, the measures needed to address the issues raised and take the debate forward.
- It was concluded that an effective future strategy will need to address not only complementarities and antagonisms between label types, but should cover all forms of product environmental information. Hence the focus will need to be on a product information strategy rather than a labelling strategy.

KEY RECOMMENDATIONS

The key recommendations are grouped into three categories.

1. Put in place actions to address operational weaknesses in the label types.

Real efforts need to be made to address and resolve the weaknesses which currently exist within applications of the three label types. Weaknesses and critical success factors which need addressing have been identified in *Chapter 3*. In addition, several studies exist which make detailed recommendations for improving Type I and Type II claims ⁽¹⁾. Discussions continue, particularly in Denmark, on the possibility of establishing organised Type III schemes and these should be built on and developed further, preferably in line with *Recommendation 2*.

Priorities include:

- Addressing the lack of credibility of Type II claims (and potentially Type III) via stringent legislative control in order to remove invalid claims; and
- Ensuring that Type I labels are:
 - A) Targeted at the most suitable product categories;
 - B) Adequately promoted to ensure consumer recognition of the label and its credibility;
 - C) Increasingly harmonised (between existing schemes) to facilitate their use by producers both directly and indirectly (eg via the use of criteria as best practice).

(1) Two examples are: 'Promoting and Marketing the European Eco-label in Germany and Austria', 2000. J. Lohse & J. Wulf-Schnabel, Okopol; 'Study on Verification & Control of Environmental Product Claims', 1998, Prospect.

2. Establish a formal mechanism to develop the linkages between different forms of product environmental information, in order to optimise synergies, avoid antagonisms and increase cost-effectiveness.

This mechanism would increase cost-effectiveness via combining common elements (eg identification of product life-cycle impacts) and optimise use of product information via delineating the roles of different forms of product environmental information on a horizontal level (as opposed to a vertical hierarchy).

It is therefore recommended that a formal mechanism is established in the form of **broad feasibility studies** for individual products/product groups. Each study would:

- A. Identify Product or Service Life-Cycle Impacts** using expert opinion and existing information sources such as life-cycle analyses and Type I criteria.
- B. Identify Effective Forms of Product Information.** Following further development, the suitability matrix (see *Chapter 4*) could be used to identify which types of product information would be most effective for that particular product group.
- C. Encourage the Development of Effective and Valid Product Information via Guidelines, Recommendations etc.** Based on the outcome of (B), encourage the development of effective forms of product information via Recommendations, Guidelines and Voluntary Agreements, centred around the significant impacts identified in A.

The studies would aim to streamline the identification of life cycle impacts, pull together existing information and avoid the duplication of effort which currently occurs. Their success will depend on a 'broad-minded' approach from all the stakeholders involved in the individual label types, with a focus on providing the most effective form(s) of product information as appropriate. Such an approach would ultimately strengthen all label types.

All key stakeholders would be involved in providing information, contributing to the development of guidance etc. as appropriate. However, a leading organisational body would be needed. There are a number of options for this role which should be debated including:

- The European Union Eco-labelling Board (EUEB) with avoidance of bias towards Type I achieved via the use of independent consultants;
- An Independent body;
- Group comprised of Member State Environment Ministries/Agencies;
- Industry Associations;
- Combinations of the above.

3. Consider long-term options for a product information strategy (including information hierarchies) in more depth through a small working group.

The debate on strategy options at the European level is currently in its infancy and the work presented in *Chapter 6* needs to be developed further. The discussion of long-term strategy options should:

- (a) be taken forward via a relatively small working group containing an appropriate mix of pro-active stakeholders;
- (b) be placed within the context of IPP following the Commission's Green Paper;
- (c) be established on agreed principles; and
- (d) be based on the assumption that the weaknesses identified in each of the label types will have been resolved.

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Reference 6577

Prepared by: Charles Allison & Anthea Carter

For and on behalf of
Environmental Resources Management

Approved by: Charles Allison

Position: Technical Director

Date: 19 September 2000

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Current Situation

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It is felt that there is a need for a broader, more integrated approach due to the problems caused by misleading claims (so-called 'greenwash') and the fact that the use of formal eco-labels to convey product environmental information is not appropriate in all circumstances. For example,

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ROLE OF ENVIRONMENTAL LABELLING WITHIN INTEGRATED PRODUCT POLICY

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Critical Success Factors, including complementary measures

Label Type:		
I	II	III
<ul style="list-style-type: none"> ⇒ Transparency ⇒ Consumer awareness: adequate publicity to ensure recognition of the label and its credibility ⇒ Endorsement by key stakeholders ⇒ Ensuring stringent, significant and up-to-date criteria developed with stakeholder participation to maintain credibility ⇒ Harmonisation of criteria between different Type I schemes, in line with above, to facilitate use by producers ⇒ Robust data checks ⇒ Visibility of logo on product ⇒ Affordable application process ⇒ Appropriate selection of products ⇒ Market penetration 	<ul style="list-style-type: none"> ⇒ Framework to prevent invalid claims: Misleading advertisement directive; ISO 14021; Best practice guidelines ⇒ Potentially some form of verification or data checks ⇒ Sector approach to achieve consensus on <u>significant</u> environmental impacts ⇒ Issue of conflict with Type I needs to be addressed 	<ul style="list-style-type: none"> ⇒ Label format tailored to end user eg consumer vs. Professional purchaser ⇒ Common label parameters and methodology to be developed by industry sector/product group (with significant stakeholder involvement) to enable comparability between products. Preferably harmonised at International or European level to increase cost effectiveness ⇒ Set common Life Cycle analysis and system boundaries ⇒ Data transferable to Type I labels & vice-versa ⇒ Access to data ⇒ Control to ensure validity of approach and data eg: verification by trusted 3rd party ⇒ Dissemination: third party could assimilate product information from Type III claims and make available eg via Internet, possibly accompanied by value judgements ⇒ Issue of conflict or replacement of supplier questionnaires / existing environmental product declarations eg NITO for IT equipment needs to be addressed ⇒ Combined use of life cycle data for Type I and III would reduce costs

OBJECTIVE 2: ANALYSE THE POSSIBLE RELATIONSHIP BETWEEN TYPE I, II AND III LABELS

At present, environmental labels exist and are developed on an individual and independent basis, with no formal framework or guidance regarding their interactions. Whilst this has the advantages of allowing full flexibility and innovation, it can also lead to overlap and antagonisms between label types and consumer confusion at the multiplicity of information formats.

In order to analyse how effective relationships and linkages between the different label types might be developed, it is first necessary to establish the circumstances in which use of each label type is optimised. In other words, if we would like to identify where synergies could occur and where conflicts could be avoided, we need to know when use of a Type II claim is best, when a Type I label is most suitable and so on. Only once this has been ascertained is it possible to begin to delineate the roles of the different label types and establish some order out of the current potential for chaos.

The suitability of Type I, II and III labels in different circumstances was outlined via a *suitability matrix*. The matrix identifies the conditions in which development or use of each label type is most suitable (ie effective) according to key product and purchase variables such as: length of product development, type of purchase decision, range of significant environmental impacts (single or multiple) and consumer awareness of these impacts. Key results were as follows:

Suitability of Type I

- ⇒ Applicable to purchases by individuals & private and public organisations;
- ⇒ Individuals - Quick purchase decisions;
- ⇒ Lack of consumer understanding of complex environmental impacts;
- ⇒ Use as 'soft' policy tool - indirect impact via indication of best practice/future legislation eg re chemicals;
- ⇒ More suitable than single issue where there is:
 - A wide range of environmental impacts;
 - Trade-off between impacts;
 - Low public concern surrounding impacts.

Suitability of Type II

- ⇒ Potentially applicable to purchases by individuals & private and public organisations, if credibility assured;
- ⇒ Individuals - quick purchase decisions - high level of recognition;
- ⇒ Most suitable where there is:
 - Single significant environmental impact;
 - High level of actual or potential consumer concern.

Suitability of Type III

- ⇒ Best suited to purchases by businesses or public bodies;
- ⇒ Potential role in replacing (or structuring) supplier questionnaires if standardised and suitably designed;
- ⇒ Potential use by individual consumers for major purchase decisions with several high concern environmental impacts.

OBJECTIVE 3: IDENTIFY POTENTIAL OPTIONS FOR A EUROPEAN ENVIRONMENTAL LABELLING STRATEGY

Use of Complementary Policy Tools

Any environmental labelling strategy cannot operate in isolation. It will require the use of complementary and supportive policy tools, preferably structured within an IPP. Many of the present barriers to using product information to influence purchase decisions require addressing by other policy tools, for example:

- environmental taxation to address product affordability;
- publicity/educational campaigns eg by NGOs and Government, to raise consumer environmental education and awareness.

Key complementary tools which it is recommended are developed alongside, and linked to, product environmental information are outlined in *Chapter 5*.

Future Options for a European Environmental Labelling Strategy

Strategy options were developed via a pragmatic approach which asked how existing tools could be used within a strategy, rather than starting from a blank sheet or *carte blanche*. Suggested options were requested via the questionnaire consultation and these were then presented and discussed at the stakeholder workshop.

Five strategy options are presented. These comprise three hierarchical strategies involving use of a label type as a 'stepping stone' to encourage and recognise producer efforts on the road to achieving an 'ultimate' label or claim, and two non-hierarchical strategies, one needs-based and the other restricted to Type I, II, III and single issue labels.

The workshop discussion on the strategy options resulted in the following conclusions:

- In devising a future strategy consultees felt that the ISO standards should not be used to restrict innovation or other claim types - instead product environmental information should be designed to meet the needs of specific situations.

- Although some consultees were in favour of a hierarchical strategy using certain label types as ‘stepping stones’, the strong differences in opinion surrounding the merits of type I, II and III labels mean that a hierarchical approach is inappropriate at this stage. It was thus felt that, at present, a strategy needs to provide a framework that can support *all* product environmental information tools.

CONCLUSIONS

The following conclusions were reached in terms of consultee opinions of the characteristics of the different label types and how this feeds into the development of an environmental labelling strategy.

- There is a lack of consensus amongst stakeholders on the merits of the different label types. The differences in opinion arise primarily as a result of the labels’ weaknesses, as identified in the report.
- Discussion of these weaknesses currently dominates the debate and is preventing stakeholders from developing future strategy options in depth. For example:
 - Due to the lack of consensus on the merits of the different label types, no hierarchical strategy will receive the necessary critical mass of support at the present time. This is not to say that a hierarchical strategy will never be suitable and should not be considered in the future. It is to say that major stakeholder differences will remain unresolved until the weaknesses in the label types are addressed, and hence the debate at the moment is focused on an operational rather than a strategic level.
- Since this study was strongly based on stakeholder consultation, the lack of agreement has prevented the full development and critique of strategy options. Instead, the key recommendations present, what are in our opinion, the measures needed to address the issues raised and take the debate forward.
- It was concluded that an effective future strategy will need to address not only complementarities and antagonisms between label types, but should cover all forms of product environmental information. Hence the focus will need to be on a product information strategy rather than a labelling strategy per se.

KEY RECOMMENDATIONS

The key recommendations are grouped into three categories.

1. Put in place actions to address operational weaknesses in the label types.

Real efforts need to be made to address and resolve the weaknesses which currently exist within applications of the three label types. Weaknesses and critical success factors which need addressing have been identified in *Chapter 3*. In addition, several studies exist which make detailed recommendations for improving Type I and Type II claims ⁽¹⁾. Discussions continue, particularly in Denmark, on the possibility of establishing organised Type III schemes and these should be built on and developed further, preferably in line with *Recommendation 2*.

Priorities include:

- Addressing the lack of credibility of Type II claims (and potentially Type III) via stringent legislative control in order to remove invalid claims; and
- Ensuring that Type I labels are:
 - A) Targeted at the most suitable product categories;
 - B) Adequately promoted to ensure consumer recognition of the label and its credibility;
 - C) Increasingly co-ordinated (between existing schemes) to facilitate their use by producers both directly and indirectly (eg via the use of criteria as best practice).

(1) Two examples are: 'Promoting and Marketing the European Eco-label in Germany and Austria', 2000. J. Lohse & J. Wulf-Schnabel, Okopol; 'Study on Verification & Control of Environmental Product Claims', 1998, Prospect.

2. Establish a formal mechanism to develop the linkages between different forms of product environmental information, in order to optimise synergies, avoid antagonisms and increase cost-effectiveness.

This mechanism would increase cost-effectiveness via combining common elements (eg identification of product life-cycle impacts) and optimise use of product information via delineating the roles of different forms of product environmental information on a horizontal level (as opposed to a vertical hierarchy).

It is therefore recommended that a formal mechanism is established in the form of **broad feasibility studies** for individual products/product groups. Each study would:

- A. Identify Product or Service Life-Cycle Impacts** using expert opinion and existing information sources such as life-cycle analyses and Type I criteria.
- B. Identify Effective Forms of Product Information.** Following further development, the suitability matrix (see *Chapter 4*) could be used to identify which types of product information would be most effective for that particular product group.
- C. Encourage the Development of Effective and Valid Product Information via Guidelines, Recommendations etc.** Based on the outcome of (B), encourage the development of effective forms of product information via Recommendations, Guidelines and Voluntary Agreements, centred around the significant impacts identified in A.

The studies would aim to streamline the identification of life cycle impacts, pull together existing information and avoid the duplication of effort which currently occurs. Their success will depend on a 'broad-minded' approach from all the stakeholders involved in the individual label types, with a focus on providing the most effective form(s) of product information as appropriate. Such an approach would ultimately strengthen all label types.

All key stakeholders would be involved in providing information, contributing to the development of guidance etc. as appropriate. However, a leading organisational body would be needed. There are a number of options for this role which should be debated including:

- The European Union Eco-labelling Board (EUEB) with avoidance of bias towards Type I achieved via the use of independent consultants;
- An Independent body;
- Group comprised of Member State Environment Ministries/Agencies;
- Industry Associations;
- Combinations of the above.

3. Consider long-term options for a product information strategy (including information hierarchies) in more depth through a small working group.

The debate on strategy options at the European level is currently in its infancy and the work presented in *Chapter 6* needs to be developed further. The discussion of long-term strategy options should:

- (a) be taken forward via a relatively small working group containing an appropriate mix of pro-active stakeholders;
- (b) be placed within the context of IPP following the Commission's Green Paper;
- (c) be established on agreed principles; and
- (d) be based on the assumption that the weaknesses identified in each of the label types will have been resolved.

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1 INTRODUCTION TO THE STUDY

1.1 BACKGROUND TO THE STUDY

ERM was contracted by the Eco-labelling unit of DG Environment at the European Commission to examine the potential role of Type II and III environmental labels ⁽¹⁾ within the context of a comprehensive Community Environmental Labelling Strategy. The study is intended to address how these environmental label types could be supported in a complementary policy framework at EU level, alongside Type I Eco-labels such as the EC Eco-label. Such a policy would have the ultimate aim of strengthening the role of product environmental information as a market tool to stimulate environmental improvements in products. The study intends to culminate in options and recommendations for future lines of action at European level. The Terms of Reference are provided in *Annex A*.

The study was initiated out of the experience that, in the past, Type I labels have often had to operate in isolation to other policy tools and against other environmental claims. This was recognised in the 1997 Progress Report and Action Plan on the Fifth European Action Programme, which highlighted that “a coherent framework with guidelines needs to be developed at EU level for a policy on products at Member State level which goes beyond Eco-labelling”.

It is commonly felt that there is a need to develop, within the context of moves towards an Integrated Product Policy (IPP), a broader European environmental labelling strategy, taking into account developments in ISO standards, mandatory and single-issue labels. This study represents a ‘first step’ in addressing these ‘wider labelling issues’ at EU level through the promotion of discussion and consultation with key stakeholders.

(1) The recent ISO (International Standards Organisation) standards and technical report define the following types of product environmental information:

- **Type I** (ISO 14024) claims are based on criteria set by a third party and are multi-issue, being based on the product's life cycle impacts;
- **Type II** (ISO 14021) claims are based on self-declaration by manufacturers;
- **Type III** (ISO/TR 14025) claims consist of quantified product information based on life cycle impacts.

1.2

AIMS AND OBJECTIVES

The aim of the study is to examine the role of ISO Type II and III environmental labels at EU level in order to formulate options for a European Environmental Labelling Strategy.

The study has three main objectives:

Objective 1:	to identify the characteristics of each of the ISO label types (Types I, II and III) in isolation from each other and subsequently to recommend future developments
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Objective 2:	to analyse the possible relationship between Type I, II and III environmental labels, including consideration of mandatory and single issue labels
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Objective 3:	to identify potential options for a European Environmental Labelling Strategy
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1.3

METHODOLOGY

The study was strongly based on the involvement and participation of relevant interest groups such as environmental and consumer organisations, government bodies and industry (including SMEs and retailers). Information and opinions from the stakeholders were obtained via published information sources, questionnaire consultation and a one-day workshop held in Brussels for key stakeholders. This information, and subsequent analysis by ERM, was used to complete the three main objectives outlined above.

1.3.1

Published Information

Relevant published information from a variety of sources was used to inform Objectives 1 to 3 as appropriate. The main sources used include stakeholder position statements relating to environmental labelling and IPP (Integrated Product Policy), member state government and agency Internet sites on these two topics and the following reports:

- Conclusions and Papers presented at the International Conference - *Green Goods V: Eco-labelling for a Sustainable Future*, Berlin, 1998, OECD Environment Directorate;
- *Verification and Control of Environmental Claims*, 1998, Prospect (Leubuscher, Hager, Wattiez, Mombrù and Liaska) for DG Sanco
- *Green Labels: Consumer interests and transatlantic trade tensions in eco-labelling*, 1999, Consumers International;
- *Green Guidance: How consumer organisations can give better advice on putting sustainable consumption into practice - an international study*, 1998, Consumers International;
- *Consumer Products and the Environment*, October 1998, UK Department of the Environment, Transport and the Regions (DETR).

1.3.2 Questionnaire Consultation

The initial consultation process was based on a questionnaire sent electronically to stakeholders known to be active or interested in the issue of environmental labelling, and accompanied by a background document setting out the ISO claim types and additional explanatory information.

Approximately 30 recipients were identified by ERM in conjunction with Marco Loprieno and Gerhard Stimmeder (European Commission, DG Environment), and additional consultees were added to the list as they were recommended by those already consulted.

Altogether, the questionnaire was sent to 57 representatives covering all stakeholder groups. Telephone interviews were offered as an alternative to submitting a written questionnaire and face-to-face meetings were held with key UK based consultees.

A total of 30 stakeholders from 10 countries (Canada, Denmark, Finland, Ireland, Italy, Norway, Portugal, Sweden, Switzerland, UK) provided responses to the questionnaire (*Table 1.1* and *Annex B*). This represents a response rate of 53%.

Table 1.1 Questionnaire Responses by Stakeholder Group

Stakeholder Group	Sent	Received
• Consumer Organisations	4	4
• Environmental NGOs	4	2
• Government and Eco-label competent bodies	22	12
• Procurement associations	3	0
• Producers and trade associations	13	6
• Retailers and trade associations	7	4
• Other	4	2
Total	57	30

1.3.3 Workshop Consultation

In order to build on the results obtained from the questionnaires and promote dialogue between consultees, ERM held a workshop on 26 June at the European Commission offices in Brussels which was attended by 17 external delegates and 5 Commission representatives (*Annex C*).

All stakeholder groups were represented with the exception of consumer organisations who were unable to attend. Delegates were invited on the basis of their responses to the questionnaire, operation at European level and need to achieve a balance of stakeholder groups, in agreement with the Commission.

During the morning session of the workshop, delegates divided into working groups to comment and build on the questionnaire results, focusing on the strengths, weaknesses, success factors and suitability of Type I, II and III labels. The afternoon session presented strategy options identified during the questionnaire consultation and these formed the basis of a full group discussion to identify alternative options and comment on those suggested.

1.4 **STRUCTURE OF THE REPORT**

This draft final report is structured in line with the objectives outlined in *section 1.2*.

- *Chapter 2* provides an introduction to the current tools and policy framework for environmental product information in Europe including a description of the main features of the ISO label types, single issue and mandatory labels, illustrated by examples. This is followed by a discussion of the role of environmental labelling within the context of Integrated Product Policy and its principal aims and objectives, based on stakeholder consultation.
- *Chapter 3* addresses Objective 1 via the identification of label type characteristics presented in relation to seven key parameters, for example, perceived credibility. From these it was possible to summarise the strengths and weaknesses of each label type, followed by critical success factors and complementary measures which indicate areas for future improvement.
- *Chapter 4* analyses the possible relationship between type I, II and III environmental labels (Objective 2) via a suitability matrix which delineates the circumstances in which each label type is optimised. This is accompanied by a discussion of the parameters involved and areas of complementarity and antagonism between label types.
- *Chapter 5* describes the use of complementary policy tools to support an environmental labelling strategy, including other forms of product environmental information.
- *Chapter 6* outlines potential strategy options, in line with Objective 3, and consultees' opinions of these options.
- *Chapter 7* presents the conclusions of the study and key recommendations for future action.

2.1 INTRODUCTION

This section provides an introduction to the current status quo of environmental labelling in Europe and describes the main features of the ISO and other environmental label types. It goes on to discuss the aims and objectives of environmental labelling and its role within the context of Integrated Product Policy.

2.2 CURRENT SITUATION

The current situation regarding product environmental information is by no means uniform across the EU member states. There are varying degrees of development and control of product environmental claims and labels, and differing levels of public environmental awareness and concern.

In general, however, the situation has traditionally consisted of:

- a) **Uncontrolled self-declared** environmental claims;
- b) **Formal selective Eco-labels** (Type I) such as the EU Eco-label, Nordic Swan and German Blue Angel.

This dichotomy between uncontrolled environmental claims and Type I labels has created a number of problems due to the proliferation of invalid claims, lack of recognition of formal Eco-labels and variously both purchaser information overload and lack of valid and comparable information. Type I labels have often had to operate in isolation to other policy tools and against other environmental claims.

These problems are now beginning to be addressed, albeit to differing degrees at different levels. Some selected examples are provided in the box below.

- *Member State level*
 - ⇒ promotion of linkages between environmental labelling and complementary policy tools including other forms of product environmental information eg Danish product panels, UK Advisory Committee on Consumers and the Environment;
 - ⇒ self-declared environmental claims addressed via codes of conduct eg Nordic Ombudsmen's Green Code, UK Green Claims Code, Netherlands Environmental Advertising Code.
- *European level*
 - ⇒ increased control of self-declared environmental claims being addressed by the European Commission.
- *International level*
 - ⇒ development of ISO standards for some claim types; UN guidelines.

2.3

ISO ENVIRONMENTAL CLAIM TYPES

The *International Standards Organisation (ISO)* have developed standards for three types of environmental product claims, termed ISO Type I, II and III. The main elements of each claim type can be described as follows:

Table 2.1 ISO Environmental Claim Types (1) (2) (3)

Type I ISO 14024	Type II ISO 14021	Type III ISO/TR 14025
KEY FEATURES		
<ul style="list-style-type: none"> pass/fail award system third party grants licence to use label (typically a logo) voluntary 	<ul style="list-style-type: none"> text statement and/or logo improvements should be quantified voluntary avoid meaningless statements eg 'environmentally friendly', 'sustainable' 	<ul style="list-style-type: none"> quantified information may be presented in variety of forms eg text, graphs, pictorals
<ul style="list-style-type: none"> multi-issue, based on product's life cycle impacts 	<ul style="list-style-type: none"> generally single issue but may be multi-issue; must be significant according to ISO standard 	<ul style="list-style-type: none"> multi-issue, based on Life Cycle study
<ul style="list-style-type: none"> criteria set and product assessed by third party 	<ul style="list-style-type: none"> self-declared, no third party involvement 	<ul style="list-style-type: none"> self-declared but must be peer reviewed according to ISO technical report
EXAMPLES		
<ul style="list-style-type: none"> A full list of Member State labels is accessible at http://europa.eu.int/comm/environment/ecolabel/link.htm Examples include: Blue Angel (Germany); Bra Miljoval (Sweden); EC Eco-label; Medio Ambiente (Spain); NF-Environnement (France); Nordic Swan; Stichting Milieukeur (Netherlands) 	<ul style="list-style-type: none"> Numerous examples exist such as: 'made from x% recycled material' 	<ul style="list-style-type: none"> Volvo's product profile for S80 passenger vehicle follows a Type III format ITT Flygt: Environmental Product Declarations for all new products in line with ISO 14025 See Global Type III Environmental Declarations Network http://www.sms-standard.se/english/type3nw/index.asp

(1) International Standard ISO 14024: Environmental labels and declarations - Type I environmental labelling - Principles and procedures, first edition, 01/04/1999

(2) International Standard ISO 14021: Environmental labels and declarations - Self declared environmental claims (Type II environmental labelling), 1999

(3) Technical Report ISO/TR 14025: Environmental labels and declarations - Type III environmental labels and declarations, first edition, 15/03/2000

Box 2.1**Type I: EU and National Eco-labels**

These label types aim to provide a standardised, credible and recognisable 'seal of approval' that distinguishes the top 10-30% of products in terms of environmental performance. Type I labels are based on selective criteria set and certified by a third party. The third party or awarding body may be either a governmental organisation or a private non-commercial entity.

Although quite different in their methodological approach, range of product groups and criteria, the EU Flower ("Eco-daisy") and Member State Eco-labels such as the Nordic Swan, Swedish Falcon and German Blauer Engel (Blue Angel) are all examples of ISO Type I labels. They typically consist of a standard logo and, in addition, the criteria often contain requirements to provide accompanying explanatory and product use information.

Box 2.2**Type II: Self-declared Environmental Claims**

In a recent report for the European Commission it was recognised that self-declared environmental claims are a powerful marketing tool (1). In some member states, these environmental claims have successfully raised public environmental awareness of product impacts *and* increased market share for less environmentally damaging products. This is usually accompanied by some form of verification or monitoring to maintain the credibility of claims. In other member states however, understanding of green issues related to consumption remains low and falsified 'green' claims abound (so called 'greenwash') leading to a lack of recognition for valid claims, loss of credibility and consumer confusion.

Following the establishment of an expert working group, DG SANCO of the European Commission are addressing the use of ISO 14021 to guide and control self-declared environmental claims at European level. At present, the control of these claims is covered by the EC Misleading Advertisement Directive 84/450/EEC (amended by 97/55/EC). It is possible that amongst other actions, the Commission will issue *Environmental Guidance for the Evaluation of Green Claims* based on ISO 14021 as a Recommendation to provide easily accessible guidance to consumer organisations, NGOs and producers.

For information on the work of DG SANCO in this area please see:
http://europa.eu.int/comm/consumers/policy/developments/envi_clai/index_en.html

(1) Verification and Control of Environmental Claims, Leubuscher, Hager, Wattiez, Mombrù and Liaska, 1998

Product environmental declarations in line with ISO/TR 14025 consist of *quantified* environmental data on *all* significant impacts based on procedures and results from a Life Cycle study (ISO 14040 series) with additional relevant information, eg on Environmental Management Systems or social aspects, if desired.

Type III claims are currently covered by an ISO Technical Report ⁽¹⁾ rather than an accepted international standard and hence there remains significant room for variability in how Type III claims are developed and managed. For example, Type III claims may be:

- a) developed and self-declared by a producer; or
- b) part of a programme in which an industrial sector or independent body develops the format (sets categories of parameters, minimum requirements, form of presentation) and involves third parties.

In both cases, the technical report establishes the requirement for all type III claims to undergo Critical Review (in accordance with ISO 14040) to verify the validity of the Life Cycle study and the content and format of the information presented to purchasers.

There are relatively few examples of Type III claims, however those which broadly follow the conditions of the technical report include the Canadian TerraChoice and Swedish Environmental Product Declaration systems. The Swedish Materials and Mechanics Standards (SMS) has established a Global Type III Environmental Declarations Network (see <http://www.sms-standard.se/english/type3nw/index.asp>).

(1) ISO Technical Reports must be reviewed within 3 years of their publication and either converted into an International Standard, extended for a further 3 years or withdrawn.

The ISO claim types form a method of standardising 3 forms of environmental product claims out of the multiplicity which currently exist. Other notable and established forms of product environmental information not covered by the ISO standards include:

Single issue labelling schemes with third party certification such as the private Forest Stewardship Council (FSC) and organic food labels do not fall within any of the three ISO claim types but are partially covered by *ISO 14020 - General Guidelines for Environmental Claims and Declarations*.

Mandatory labels can take any form and may be multi or single issue. Current examples include the EC Energy Label and EC CO₂ emissions label for passenger cars.

User information which provides instructions on how to use or dispose of the product in a manner which reduces its environmental impact comes in a variety of forms. This form of information is extremely important for those products whose main impact is concerned with its method of operation and/or disposal. An example is the 'Wash Right' code for detergents, developed by the European Detergent Manufacturers Association (AISE) ⁽¹⁾.

Other forms of product environmental information currently used in business-to-business communications such as quantified Environmental Product Declarations not based on LCA and supplier questionnaires also fall outside the ISO claim types.

(1) <http://www.washright.com/>

Integrated Product Policy (IPP) is a product focused environmental policy approach which addresses life cycle environmental impacts. By addressing the product, environmental and other impacts can be tackled at source and prevented or optimised rather than cured or minimised at a later stage (eg waste, air emissions, industrial safety). It is important to underline that *Integrated Product Policy* addresses the whole life cycle of a product, thus avoiding shifting environmental problems from one medium to another, as opposed to specific product policy, which addresses one particular environmental effect ⁽¹⁾.

Policy developments at both European and member state level (eg Nordic Product-Oriented Environmental Strategy), have shown that IPP will require numerous varied and inter-linked policy tools. Raising the demand for products with improved environmental performance across their whole life-cycle is an important market based element of IPP. Central to this element is the development of mechanisms which will deliver credible and comprehensible product-related environmental information to both individual and business consumers, including environmental labelling.

An important over-riding feature of IPP should be its ability to achieve co-operation and complementarity both between different forms of product environmental information and between product environmental information and other policy tools. As previously mentioned, environmental labelling has often operated in relative isolation. However, there is great potential for the development of synergies between labelling and other environmental policy tools and these are now being developed. At the European level, these linkages are currently occurring on a piecemeal basis, for example between the EC Eco-label and EMAS via the provision of Eco-label fee reductions for EMAS certified companies. However, a more formal framework could be envisaged under IPP to ensure greater co-ordination and mutual reinforcement.

The role of complementary policy tools is considered in further detail in *Chapter 5*.

(1) European Commission DG XI; Integrated Product Policy, Ernst & Young et al, March 1999

2.5 **STAKEHOLDER OPINIONS ON THE ROLE OF ENVIRONMENTAL LABELS**

Stakeholder opinions on the role, aims and objectives of environmental labels were gathered from published literature in addition to the questionnaires and workshop discussions. The results are presented below.

2.5.1 **Role of Environmental Labelling within IPP**

Questionnaire consultees were divided in their opinions of the importance of environmental labelling within IPP. Many made a distinction between its potential importance versus its importance in its current state, suggesting that there is a significant need to improve the present use of environmental labels. The majority rated it as *Very Important* (fourth out of a maximum of five), but also highlighted:

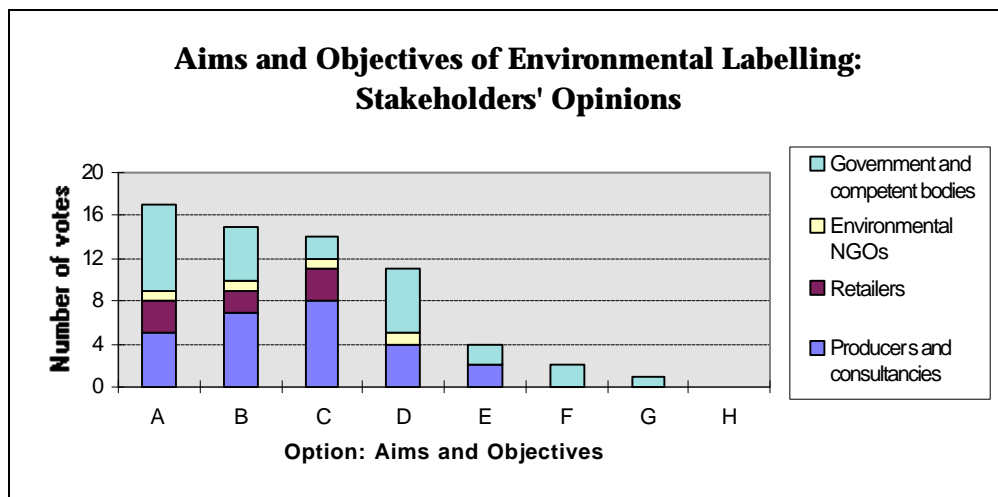
- IPP will have to strike a balance between ‘command and control’ (ie legislation) and voluntary or market based instruments such as environmental labelling, preferably using both in a complementary manner. This balance could change depending on the rate and urgency of progress.
- Environmental labelling is more suited to addressing certain environmental effects and products than others, and hence its use within IPP should be *targeted* to optimal effect.
- The need for complementary and supportive tools and policies such as ‘green’ public procurement and environmental taxation. For too long, the Type I Eco-label, particularly the European scheme, has operated in isolation against a back-drop of uncontrolled self-made claims.

2.5.2 **Aims and Objectives of Environmental Labels**

In discussing the role of environmental labelling it is important to return to first principles and establish the aims and objectives of environmental labels.

Workshop consultees were provided with a number of votes to distribute between suggested aims and objectives and the results were as follows:

Figure 2.1 Aims and Objectives of Environmental Labelling: Stakeholders' Opinions



Options: Aims and Objectives

- A. Enable consumers to *differentiate* between products on the basis of environmental performance
- B. Raising *general* environmental awareness eg via the label or associated marketing
- C. Raising consumer awareness of the product's *specific* environmental impact(s)
- D. Identifying *life cycle impacts* of product groups, thus facilitating improvements in product environmental performance
- E. Contributing to 'responsible'/'quality' *company/brand image*
- F. 'Reward' producers for improvements in product environmental performance
- G. Providing an indication of *best practice*/future requirements
- H. 'Shame' producers into improving product environmental performance eg via mandatory labels such as EC Energy label

According to ISO 14020 (General Principles for Environmental Labels and Declarations):

"The overall goal of environmental labels and declarations is, through communication of verifiable and accurate information, that is not misleading, on environmental aspects of products and services, to encourage the demand for and supply of those products and services that cause less stress on the environment, thereby stimulating the potential for market-driven continuous environmental improvement"

The workshop consultation confirmed that enabling consumers to differentiate between products on the basis of environmental performance is seen as the primary objective (Figure 2.1) in line with the overall goal outlined in ISO 14020. However, some questionnaire consultees challenged the role of options B and C, ie should labels aim to raise consumer education and awareness? One consultee noted, "if the claims are kept clear and simple, the need for education can be kept to a minimum". This illustrates an ongoing debate over whether labels should aim to educate the consumer or simply provide information that educated consumers can act upon. Should the label have an educative role or should this be undertaken elsewhere? Will the attempt to educate the consumer confuse and add to the complexity of information provision as a basis for purchase decisions?

In reality, analysis at a more detailed level reveals that different label types and purchase decisions are more suited to certain objectives over others, making generalisations difficult. This more detailed analysis is presented in *Chapter 3*, which discusses the characteristics of the three ISO label types according to seven key parameters.

3.1**INTRODUCTION**

The aim of this section is to identify the characteristics, both inherent and potential, of ISO Type I, II and III environmental labels in relation to parameters which are key to their use in influencing product purchase decisions and as a policy tool. This analysis is then used to summarise the main strengths and weaknesses of the label types which in turn leads to the identification of critical success factors and suggestions for improvement.

In identifying inherent and potential characteristics it is necessary to note that the ISO standards and technical report for claim types I, II and III are voluntary in status and, particularly for Type II and III, do not yet represent the current situation. As a result, when discussing each claim type in this report the ISO standards are taken as a *guide* to the type of claim, for example Type II is used to refer to all self-declared claims rather than self-declared claims which fully comply with the standard. Subsequently, the discussions of strengths, weaknesses and success factors are based on the current situation rather than the conditions set out within the standards.

3.2

KEY PARAMETERS IN THE USE OF PRODUCT ENVIRONMENTAL INFORMATION BY PURCHASERS AND PRODUCERS

The seven key parameters against which the label type characteristics are analysed were chosen by ERM on the basis that they represent potential and existing barriers to the use of product environmental information by:

- **Producers;**
- **Purchasers;**
- **Government - as a policy tool.**

The parameters are hence critical to increasing and improving the use of the label types. The seven parameters chosen were as follows:

Box 3.1

Key Parameters

Key Parameters affecting Producers
<p>1) Data Sensitivity ie confidentiality</p> <p>2) Labelling Costs including</p> <p>⇒ Certification costs</p> <p>⇒ Expertise requirements</p>
Key Parameters affecting Purchasers
<p>3) Product Availability</p> <p>4) Consumer Education and Awareness</p> <p>5) Consumer Understanding</p> <p>6) Perceived Credibility including</p> <p>⇒ Data quality</p> <p>⇒ Management, monitoring and verification</p>
Key Parameter affecting Government use of labels as a Policy Tool
<p>7) Environmental Effectiveness</p>

Questionnaire consultees were asked to identify the strengths and weaknesses of each label type (I, II and III) individually, according to these parameters. The analysis of results is presented in *Sections 3.3 - 3.9* via a summary table for each parameter outlining:

- Why is this parameter Significant? What are its Implications?
- What Influences this parameter?
- Summary of characteristics for label types I, II and III,

followed by a more detailed discussion for each label type.

3.3

PARAMETER 1: DATA SENSITIVITY IE CONFIDENTIALITY

3.3.1

Summary of Results

Why is this parameter Significant? What are its Implications?
<ul style="list-style-type: none">• Antagonisms can occur where disclosure of data relating to significant environmental aspects may lead to the exposure of new technical developments or product composition with subsequent loss of competitive advantage. For example, disclosing the use of a particular substance, not used yet by competitors, which provides improved product performance.• Voluntary labelling schemes that require sensitive data to be revealed are unlikely to have a high uptake by producers and mandatory schemes with such requirements could damage industry competitiveness.• This issue is part of a broader debate concerning transparency and freedom of information that also has implications for reporting requirements and health and safety labelling.
What Influences this parameter?
<ul style="list-style-type: none">• Willingness of producers to supply product specific data• Legislative and cultural context in which producers operate - this can vary significantly between member states. For example, <i>“Swedish companies are obliged to supply data to public authorities and operate in a culture of relatively open disclosure. Whereas at the European level, industry associations have refused to disclose even aggregated industry data in some circumstances”</i> eg in the case of detergent product groups.
Summary of characteristics for label types I, II and III
<p>I. If the third party operating the scheme maintains confidentiality of product specific data provided during licensing, Type I schemes can avoid disclosure of confidential data since the label is generally limited to a logo and qualitative supporting statements. However, general lack of data disclosure by industry in the first instance can hamper the development of Type I criteria.</p> <p>II. No implications since industry is in full control of disclosure.</p> <p>III. Potentially significant implications due to the quantified nature of data disclosed, however, will strongly depend on label format, party responsible for development and level of peer review.</p>

3.3.2 Stakeholder comments: Type I

“Where auditing requires the collection of information relating to product design and manufacture there should be opportunities within the system for businesses to claim commercial sensitivity to protect intellectual property.”⁽¹⁾

“To reveal all the details of a product or service could threaten the advantage of SMEs in the market place particularly as they are unlikely to have the resources to fight counterfeiting of their goods.”⁽¹⁾

Lack of public disclosure of product specific data can be partially compensated for if the third party has high credibility amongst consumers and Non Governmental Organisations (NGOs).

Guidelines for the application of Life Cycle Analysis (LCA) within the EU Eco-label scheme conclude that sensitive foreground data used for criteria setting should be made public, if necessary in an anonymous form.⁽²⁾

3.3.3 Stakeholder comments: Type II

No implications regarding data sensitivity since companies have full control over what information is portrayed.

3.3.4 Stakeholder comments: Type III

There is concern amongst producers that Type III labels “*may cause disclosure of potentially sensitive business information, e.g. about manufacturing processes*” due to their life-cycle basis and requirement for quantified data. However, it should be noted that, “*currently, Life Cycle Analyses can be performed using aggregated data from standardised databases and do not necessarily lead to more product specific data becoming available*”⁽³⁾.

There is currently significant debate surrounding this issue focusing on the level of life cycle assessment required under the methodology options presented in ISO/TR 14025, the nature of the critical review and the degree of quantification required. At present, a technical report rather than an International Standard covers Type III labels and hence there is scope for flexibility and future alterations to address this issue as experience of Type III labels increases.

In addition, it should be noted that a standardised Type III scheme should have significant industry involvement (as well as other stakeholder groups) in its design where this issue can be addressed as it arises.

(1) UEAPME, the European Association of Small and Medium Sized Enterprises

(2) Eco-labelling Unit, DG Environment, European Commission

(3) Svenska Naturskyddsforeningen

3.4

PARAMETER 2: LABELLING COSTS

3.4.1

Summary of Results

Why is this parameter Significant? What are its Implications?
<ul style="list-style-type: none">• The costs associated with different label types are an important consideration for producers, particularly SMEs.• Additional costs will ultimately be incorporated into product price, with subsequent impacts on purchasers.• The degree to which this occurs will depend on the significance of the additional costs compared to product price and sales volumes etc.
What Influences this parameter?
<p>The costs associated with using environmental labels relate primarily to:</p> <ul style="list-style-type: none">• Data collection and availability• Expertise requirements• Labelling application and licence costs (<i>where applicable</i>)• Management, monitoring and verification costs (<i>where applicable</i>)• Promotion and marketing costs <p>Estimating the impact of these additional costs can be extremely difficult since:</p> <ul style="list-style-type: none">• they are often masked by, or blamed for, premiums applied to 'green' products ⁽¹⁾• producers often apply environmental labels to their higher quality, more innovative products which cost more to produce ⁽²⁾• the product may carry either <i>additional</i> or <i>reduced</i> costs resulting from the environmental improvements obtained• data collection and expertise requirements should not necessarily be seen as resulting <i>from</i> labelling, rather, labelling is used to provide <i>benefits</i> from good environmental management and improvements in product environmental performance which involve data collection and expertise and have additional costs (eg R&D) and benefits (eg good relations with environmental authorities, documentation of performance). In other words, "<i>these costs must be assumed to provide an advantage for the manufacturer in general .. [rather than] a direct cost of the environmental label</i>" ⁽³⁾.
Summary of characteristics for label types I, II and III
<p>I. Divided opinions</p> <p>II. No significant additional costs</p> <p>III. Costs of undertaking a full life cycle analysis are considerable and, if required, may be prohibitive for SMEs</p>

(1) SIS Eco-labelling, Sweden

(2) UK DTI (personal opinion)

(3) Norwegian Foundation for Environmental Product Labelling

3.4.2

Stakeholder comments: Type I

Consultees' opinions were divided on this issue, for example:

<u>Significant Cost Implications</u>	<u>No Significant Cost Implications</u>
<p><i>“The temporal and financial investment necessary to enter such a scheme can be seen as a serious bottleneck to an application”, particularly for independent manufacturers and SMEs.</i>⁽¹⁾</p> <p><i>“The awarding scheme is very expensive.”</i>⁽³⁾</p>	<p><i>“Labelling programmes/schemes have no impact whatsoever on [product] price, unless the manufacturer or retailer believes that they can extract a premium for being ‘green’”.</i>⁽²⁾</p> <p>Impact on product price is “generally neutral, or bringing down prices in the case of some rebate schemes under Type 1”.⁽⁴⁾</p>

Costs of labelling application and licence fees

One specific additional cost associated with Type I schemes are the application or licence fees. For example, the Nordic Swan application fee is currently 1800 Euros and, following approval, the annual licence fee comprises 0.4 % of the product's annual turnover from a minimum of 1100 Euros to a maximum of 41 500 Euros ⁽⁵⁾. There were disagreements over the implications of these costs:

<u>Significant Cost Implications</u>	<u>No Significant Cost Implications</u>
<p><i>“The cost of using environmental declarations cannot exceed the commercial value. In the case of the Nordic Swan, it was concluded that the cost would be too high”</i>⁽⁶⁾</p>	<p><i>“[There are] additional costs with testing, but used in a sensible way, the Eco-label should give advantages that outweigh these costs. The annual fee is so low even for the Swan, it does not give a change in price”</i>⁽⁷⁾</p>

The revised EC Eco-label will have flexible fee structures for individual product groups, fee caps and reduced fee rates for SMEs to make the scheme more accessible, but at present some stakeholders regard them as being too high ⁽⁸⁾.

(1) UEAPME

(2) TerraChoice, Canada

(3) EuroCommerce member, Switzerland

(4) UK Department of the Environment, Transport and the Regions, DETR

(5) Figures are approximate and based on July 2000 conversion rates between the Swedish Kroner and Euro.

(6) Electrolux

(7) Norwegian Foundation for Environmental Product Labelling

(8) 'A milestone for ACCOR group' in July 2000, Environment for Europeans

Producers expressed the opinion that as criteria sets based on life-cycle considerations became more complex and detailed, so the level and costs of data collection and analysis increased.⁽¹⁾ Some felt that these extra costs could be borne by the product purchaser whereas others disagreed with this assertion.

3.4.3 Stakeholder comments: Type II

All stakeholders felt that there were no specific additional costs associated with self-declared labels per se. Since Type II claims are relatively simple and typically cover only one or two impacts the costs of data collection are limited. One consultee felt that Type II claims in accordance with ISO 14021 may require additional but minimal costs due to additional data identification and documentation requirements eg to quantify and validate claims.

Unlike Type I Eco-labels where some of the promotion and marketing costs are borne by the third party organiser, these costs will be borne by the producer for Type II labels and may require some additional environmental marketing expertise.

3.4.4 Stakeholder comments: Type III

The main cost implication of Type III labels relates to the need to undergo some form of life cycle analysis. As previously mentioned, ISO/TR 14025 presents 3 methodology options for undertaking life cycle assessment. The costs associated with this will depend on:

- Life cycle assessment option chosen;
- Availability of standardised or aggregated LCA data for the product category concerned;
- Need for and availability of specialist expertise;
- Complexity of environmental impacts.

As life cycle analyses of products and standardised data availability become more common so the costs to the producer of using Type III labels will decrease. In addition, structured Type III schemes organised by industry associations which set agreed parameters and units of measurement would reduce the individual costs on companies, particularly SMEs. At present, however, the data collection and expertise required is felt to exclude the individual development of Type III labels by many small and micro-enterprises, unless assistance is provided ⁽²⁾. Ultimately, whether it will be cost-effective for SMEs to develop Type III labels will depend on the product market and supplier demand for such information.

(1) 20 Years of Experience of the German Environmental Labelling Scheme: 'Blue Angel', 1998, German Federal Environmental Agency; Electrolux; EuroCommerce member (Portugal).

(2) ESBA, European Small Business Association.

Why is this parameter Significant? What are its Implications?
<ul style="list-style-type: none"> • Product availability and assurance of supply will strongly affect the use of label types within procurement policies by public organisations and businesses, including retailers. • Although demand from organisational procurers will lead to increased availability, a catch 22 situation can exist whereby organisations feel unable to pledge to 'buy green' without a critical mass of suitable products. A lack of coverage within product categories can lead to a shortage of supply which is unacceptable for most organisations for whom availability and consistency of supply is crucial. • For some purchase decisions by individual consumers, brand loyalty can narrow the practical definition of product availability to: 'is an environmentally improved product available within my preferred brand?'
What Influences this parameter?
<ul style="list-style-type: none"> • Scope and capacity of Type I and III label schemes • Producer uptake • Retailer stocking • Affected by many variables other than the characteristics of the label type • Not a static variable - increases in demand generally lead to growth of supply
Summary of label type characteristics for label types I, II and III
<p>I. Product availability can be a barrier for Type I labels due to their selective nature and the time taken to develop criteria which can restrict widespread coverage of product categories. However, this varies significantly between different Type I label schemes, due to their differing longevity and as a result of the increased time and resources required to develop and achieve consensus on criteria at European, as opposed to Member State, level ⁽¹⁾ .</p> <p>II. No significant impact on product availability.</p> <p>III. Difficult to assess due to early stage of development, will vary depending on market structure and industry involvement.</p>

(1) According to the European Commission Eco-labelling unit, the EC Eco-label process typically takes 18 - 24 months for a product group. However this can be significantly extended depending on the commitment of the Member State responsible and the complexity of the product group in question.

Lack of availability of labelled products was highlighted as problematic by several consultees in terms of incorporating use of Type I labels, eg EC Eco-label, into procurement policies. However, product availability is strongly linked to demand, as one consultee noted, “*with increased institutional/public demand for type I-labelled products, supply will adhere*”. Hence a wide range of demand factors, such as consumer environmental awareness and label recognition, will affect the availability of labelled products.

Analysis

Inherent in Type I schemes is the fact that they are selective and generally restricted to the top 10-30% of products in a product group; maintaining stringent criteria is crucial to ensure credibility. This need not be a problem for purchasers in terms of product availability if this percentage of products do actually carry the label, products that qualify for the label are able to satisfy consumer priorities (eg price, quality, brand) and labelled products are stocked in mainstream retail outlets. However, low uptake of some Type I labels by producers and retailers and their vulnerability to boycott by producers has meant that this is not always the case and is an element that needs continued improvement.

The scope of some Type I labelling schemes in terms of the number of product categories covered is a more significant restriction. While some long established member state schemes cover a wide range of products and services (for example the German Blue Angel covered 83 product categories by the end of 1998 and currently applies to around 100 product and service groups) this cannot be said of all Type I schemes. The length of time taken to develop agreed criteria and subsequently update these criteria, in addition to suitability restraints (see *Chapter 4*), will restrict the rapidity and efficacy of developing widespread coverage of product categories by Type I schemes. Due to the increased number of decision makers involved, this is particularly the case for the EC Eco-label, which currently covers 15 product categories and is expected to have a future cruising ceiling of 30 over the time-frame of the next 3-4 years ⁽¹⁾. This is one reason why there is a need to use other forms of product environmental information.

Uptake of Type I labels by producers will be encouraged if there is increased harmonisation of criteria between different Type I schemes, since this will reduce costs and increase benefits for producers operating in EU and global markets. At the moment, any co-ordination between Type I labels occurs only on a very incremental basis. It is thus extremely important that the commitment within the revised EC Eco-label Regulation to increased co-operation and co-ordination between the EC and other Member State Type I schemes is realised. It has not yet been ascertained how or in what format this will be achieved, however, the Commission intends to organise 8 bilateral meetings to explore options and agree on specific measures.

(1) More details will be provided in the 3-year working plan following the revised EC Eco-label Regulation.

3.5.3 Stakeholder comments: Type II

Type II labels generally have no significant impact on product availability.

3.5.4 Stakeholder comments: Type III

Type III labels are currently in their infancy although various forms of environmental product declarations along Type III lines do exist. Hence whilst Type III labelled products suffer from limited availability at present, this is likely to change rapidly due to the burgeoning interest from business and public procurers. The non-selective nature of Type III labels together with the potential development of label formats by industry groups is likely to encourage co-operation and involvement by producers and hence product availability. However, in markets dominated by SMEs the cost intensive nature of Type III declarations may restrict their application and hence availability of labelled products.

It is widely accepted that “*all types of label are more likely to be effective if there is already a high degree of public awareness of the environmental issues involved*”.

Different label types may be more effective under different consumer awareness scenarios, which are covered by the suitability matrix in *Chapter 4*. Whilst it is difficult to separate the two, this section aims to identify how the characteristics of the label types *themselves* contribute to consumer education and awareness, an issue that resulted in disparate opinions. These ranged from “*all kind of environmental labelling have the potential to raise the awareness of the consumer*” to “*raising awareness is seldom done via information on products*” ⁽¹⁾.

Why is this parameter Significant? What are its Implications?
<ul style="list-style-type: none"> • Consumer education and awareness is a prerequisite to the success of most environmental labels. However, the relationship between this parameter and label types can be circular, with labels themselves raising generic and product specific consumer environmental awareness
What Influences this parameter?
<ul style="list-style-type: none"> • Label format & visibility • Associated activities eg marketing • Credibility including endorsement by stakeholders • Length of purchase decision
Summary of label type characteristics for label types I, II and III
<p>I. Educating consumers regarding <i>product specific</i> impacts occurs via requirements to provide accompanying explanatory and product use information in some Type I schemes. Associated promotional material marketing the label can contribute most to raising <i>general</i> consumer awareness. However, the main use is to enable consumers to differentiate products in quick purchase decisions, and hence the opportunities for consumer education via the label itself are relatively limited.</p> <p>II. Typically provide information about single or a limited range of impacts and have high visibility. If in accordance with ISO 14021, these label types can increase or create awareness of specific product impacts, particularly if accompanied by related advertising.</p> <p>III. Rely on a certain level of environmental awareness and understanding for their interpretation. However, if presented in formats aimed at individual consumers for lengthy purchase decisions they have the capacity to illustrate product-specific environmental impacts and make linkages to global impacts such as climate change.</p>

Of particular note for this parameter are:

<p>Mandatory labels. Highly visible and can raise consumer awareness.</p> <p>User Information. Consumer education via product information is most important where it relates to <i>user</i> information ie how to use or dispose of the product. For example regarding correct dosage, load and temperature selection for detergents. Information on the product can also promote other sources of user information such as advice hotlines.</p>
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(1) Svenska Naturskyddsforeningen

In general, Type I labels have traditionally consisted principally of a logo and hence their ability to raise consumer awareness of product specific impacts is seen as limited. What they can do is make consumers aware that there are differences in environmental performance within the product group and identifies the 'best in class'.

In terms of educating consumers about product-specific impacts, some Type I schemes play a minor educative role through requirements to provide accompanying explanatory and product use information. For example, "*in the outer circle of the Blue Angel there are references to the special environmental attributes of the product such as 'low energy consumption', 'low pollutant' or 'low noise'*"⁽¹⁾. The revised EC Eco-label also contains statements providing details of product specific impacts alongside the 'flower' seal of approval.

However, the opportunity for education and awareness raising will vary depending on the length of time and consideration spent on the purchase decision. It could be argued that Type I labels are best suited to quick purchase decisions (see *Chapter 4*) and rely on instant recognition of the logo, hence education and awareness raising should be done primarily via associated tools and marketing rather than the logo per se.

Promotional campaigns and marketing of the scheme and what the logo represents can increase general public awareness and lead them to think about the impacts of the products they buy. However, the ability of Type I programmes to utilise associated marketing and promotional campaigns for this purpose will vary in both level and content between the Type I schemes:

- The level will depend on the funding available;
- The content will depend on the body leading the Type I scheme. Non-governmental bodies will be much better placed to highlight the negative impacts of non-labelled products, ie aggressive and high impact marketing, than Type I schemes run by government bodies such as the EC Eco-label which focus on highlighting the positive environmental benefits of labelled goods.

It is important to point out that campaigns to promote Type I schemes, particularly if led by government ministries or agencies, should not ignore the other label types as this could lead to conflicting information campaigns and/or consumer confusion. For example, the UK government is currently issuing leaflets to consumers to assist them in identifying credible Type II claims. The leaflet, entitled 'Hi, I'm Green', also briefly explains the EC Eco-label, EC Energy label and single issue labels such as the FSC. Ideally all such initiatives should cover the most common forms of product information and explain that while Type I indicate 'best in class', Type II claims can also be valid.

(1) 20 Years of Experience of the German Environmental Labelling Scheme: 'Blue Angel', 1998, German Federal Environmental Agency

The ability of Type I labels to raise education and awareness for professional purchasers from public or private organisations is potentially much greater. Professional procurers may use the Type I *criteria* to identify the product's significant environmental impacts, hence providing an educative function. The product/service criteria are readily available under all existing Type I schemes. In this context, as the EEB point out, Type I schemes are “*a way to make the life cycle of products transparent and raise an interest to put questions about products*”.

Type I *criteria* can also indirectly contribute to consumer awareness via a roundabout route. It is highly unlikely that individual consumers will look up product criteria. However, the criteria can be used by environmental NGOs to identify which aspects of a product are cause for environmental concern, leading to NGO consumer awareness campaigns.

3.6.2

Stakeholder comments: Type II

One consultee wrote, “*labelling in and by itself does not raise awareness, unless there is a parallel program to make them [consumers] aware of the program in question and the benefits it can bring. This will not happen with Type II claims as they do not fall within a ‘program’*”. Whilst it is true to say that Type II labels are not generally part of a parallel awareness-raising programme, it is possible that related product advertising can undertake an awareness raising role.

Other consultees felt that the *main* function of Type II claims is to raise awareness rather than directly influencing purchasing behaviour or enabling differentiation between products. They felt that a Type II claim in accordance with ISO 14021 would educate the consumer since it provides details relating to a product's significant environmental impact(s). However, at the moment, the lack of credibility and questionable relevance of some environmental impacts communicated can be a barrier .

Generalisations are complicated by the range of Type II claims and their different usages. In the past, Type II product claims have traditionally been issued in response to existing consumer demand or concern about a particular environmental impact. In these cases, the label itself and related product advertising has the potential to reinforce and expand existing awareness ⁽¹⁾ . Increasingly, however, Type II claims are used in response to government and environmental NGO concerns rather than existing consumer demand. In these cases, the claim is driven by a need to indicate responsible producer or retailer conduct to governments and environmental NGOs, thus avoiding negative publicity or the threat of restrictions. Often this will be in the absence of existing consumer demand, and hence the label will have significant ability to *initiate* consumer education and awareness. An example is retailers' VOC (Volatile Organic Compounds) labelling on paints.

For an example of VOC labelling see the UK retailer, B&Q's website at http://www2.diy.com/about_us/environment/au_e_paint.html.

(1) Note this is not always the case. Sometimes Type II labels are issued in response to government and environmental NGO concerns rather than consumer demand, eg retailers' VOC labelling on paints, which has significant ability to initiate consumer education and awareness.

3.6.3 Stakeholder comments: Type III

Type III labels rely on a relatively high level of environmental awareness and understanding for their interpretation. However, if presented in formats aimed at individual consumers for lengthy purchase decisions, they have the capacity to illustrate a product's specific environmental impacts and make linkages to global impacts. Their wide coverage (being based on LCA) is likely to raise awareness of less well known impacts. In addition, one consultee was of the opinion that "*Type 3 eco-profiling labels are more likely to appear on most products in the sector and therefore to have a generally higher visibility in the market [than Type I]*".

3.6.4 Stakeholder comments: Mandatory labels

Mandatory labels generally have the highest visibility of any label type, which increases their ability to raise awareness. This is achieved both directly, via being on the product, and indirectly, via incorporation into mainstream product information channels such as magazines. The fact that the information is provided on all products, is easily obtainable and comes in a standardised and hence comparable format facilitates its incorporation into comparative articles on products as found in consumer magazines. For example, most articles on washing machines include a column providing the EC Energy label rating and similarly reviews in car magazines report on the CO₂ emissions provided by the new EC label. These are normally accompanied by some form of explanatory text.

3.6.5 Summary

Some of the differences in opinion arose because of the scope for variation within the different label types. For example, Type I has the potential to raise awareness and educate the consumer but this depends on its promotion, publicity material and, regarding product-specific education, whether text regarding the main environmental impacts accompanies the logo. This provides the opportunity to identify areas for improvement and critical success factors for the different label types, which are covered in *Section 3.11*.

Why is this parameter Significant? What are its Implications?
<ul style="list-style-type: none"> • For all purposes (product differentiation and awareness raising), it is obviously vital that consumers can understand the information presented • Can the consumer subsequently use the label to inform their purchase decision and hence meet the primary objective of environmental labels?
What Influences this parameter?
<ul style="list-style-type: none"> • Who is the end user ie individual consumer, public or private organisation • Length of purchase decision
Summary of label type characteristics for label types I, II and III
<p>I. Simple to understand and use to differentiate between products <i>if</i> label type has high recognition and market penetration</p> <p>II. Easy to understand but may be meaningless eg ‘environmentally friendly’ or even misleading if not in accordance with ISO 14021. This claim type currently suffers from a lack of credibility</p> <p>III. Aimed at educated purchasers, typically professional. Understanding by ‘lay-people’ will depend on format and length of purchase decision</p>

3.7.1

Stakeholder comments: Type I

Type I is most suited to audiences seeking a simple indicator of product environmental performance. By providing an all round ‘seal of approval’, a Type I label can provide guidance in situations where the average purchaser would find it impossible to evaluate more detailed information either due to lack of understanding, lack of time or absence of concern about the wide range of product environmental impacts. In other words, if visible and recognised, they make it easy for purchasers to make a choice based on environmental grounds.

Understanding and use of Type I labels is dependent on the purchaser recognising what the label represents. Whilst this has been established for some schemes, consumer recognition of the EC Eco-label remains low in some Member States (partly due to low product availability but also lack of promotion) thus reducing its efficacy. For example, “*Danish consumers are virtually ignorant of the EU-flower*”, whilst “*in the UK these [Type I] are not widely used by industry or understood by customers*”. However, successful promotion of the EC Eco-label in Spain and Italy shows that this can be addressed.

Individual Consumers

The strength of Type I labels is their simplicity for the consumer. The fact that consumers do not have to make comparisons between different environmental impacts (as they do for Type III labels) makes Type I labels ideal for products with complex impacts, or those involving trade-offs, particularly for quick purchase decisions (see *Suitability Matrix* in Chapter 4).

Type I labels provide a simple form of differentiation for product purchases which do not require time-consuming comparison and/or for procurers who do not have the expertise to make such comparisons. For more significant or environmentally knowledgeable procurers, the transparency of Type I schemes, eg availability of criteria, make them easy to comprehend if professional purchasers wish to find out more. The lack of ability to compare products with Type I labels is unlikely to be problematic for procurers as long as the criteria are sufficiently stringent and only the top 10-30% of products are eligible. If more differentiation is needed, then the criteria can be used as a basis for procurers to seek further information from the producer or supplier.

3.7.2 Stakeholder comments: Type II

Type II claims are generally simple and easy to understand, being designed from a marketing perspective and aimed at a target market (typically individual consumers). Yet the wording can sometimes be confusing or meaningless from an environmental standpoint and use of the information to influence purchase decisions can be prevented by lack of credibility. Type II claims in accordance with ISO 14021 will address some of these elements. The claims may or may not be comparable, the international standard requires the use of figures where appropriate to substantiate claims, which may facilitate comparison between products.

3.7.3 Stakeholder comments: Type III

Type III is best suited to highly informed, educated audiences, generally business or public procurers, who want and are able to make use of broad based information. The purchasers must evaluate the information themselves and hence “*must be knowledgeable about the different environmental impacts and their relations and trade-offs*”. The lack of value judgment, range and detail of information can make it difficult to use for individual consumers and less informed organisational procurers.

These conclusions are both general opinion and the result of several investigations, for example:

- “*research carried out [by Konsumentenbond] in Sweden shows that the readability of such complex environmental information is very low among the average household consumer*”; whilst on the other hand,
- the Danish EPA found that “*a great part of the business sector is ready to use the detailed environmental information that the declarations will contain*”.

In addition, there was widespread consensus that the use of Type III claim types in business-to-business communications will be optimised if it presents LCA-data in a uniform, standardised format using agreed sets of parameters. Without some form of agreed common format for product sectors, comparability between products will be restricted and the information requirements of procurers may not be met. There is no comparing or weighting against other products inherent within the label type under ISO/TR 14025 although it does encourage “maximum comparability”.

Credibility has many facets and encompasses both credibility of the product and credibility of the environmental claim. Although they are linked, this section focuses on the latter, i.e. are consumers likely to trust and believe the information provided? Does the label type carry credibility with producers, consumer organisations and environmental NGOs?

Why is this parameter Significant? What are its Implications?

Credibility of the Product

- According to Electrolux, one of the principal benefits of providing product environmental information is “*increased credibility of the brand and products*”
- In the past products carrying ‘green’ claims suffered from a perception of poor product quality and performance, an element now addressed within many Type I schemes via fitness for use tests and performance criteria (eg EC Eco-label).

Credibility of the Claim

- Credibility of environmental claims is crucial if purchasers are to use the information to influence their purchase decisions
- The existence of invalid claims will reduce the credibility of valid environmental claims unless purchasers can easily differentiate between them

What Influences this parameter?

- Data quality
- Transparency
- Management, monitoring and verification
- Consumer awareness of the label standard/program and awarding body
- Credibility/Reputation of third party (*if applicable*)
- Credibility/Reputation of producer and/or retailer (both in general and in particular relating to company environmental and social performance. Exposure of the latter by media/NGOs can lead to complete loss of consumer credibility regardless of the validity of specific product claims)

Summary of label type characteristics for label types I, II and III

- I.** High credibility amongst purchasers and stakeholders familiar with the scheme, however, this familiarity varies between Type I labels
- II.** Low consumer credibility unless from very reputable producer or retailer. Little credibility from the viewpoint of environmental NGOs or consumer organisations without adequate control via legislation and enforcement ⁽¹⁾
- III.** Credibility with both purchasers and other stakeholders is dependent upon third party certification/endorsement and to a lesser extent producer reputation

(1) Svenska Naturskyddsforeningen; WWF

3.8.1

Stakeholder comments: Type I

The credibility of Type I schemes is extremely high amongst stakeholders (including purchasers) who are familiar with the schemes but this familiarity can be lacking amongst individual consumers across Europe, depending on the Type I scheme in question. Examples are provided in *Box 1.6*.

Box 3.2

Variation in Consumer Recognition of Type I schemes

Recognition of Type I labels varies between Member States, for example schemes such as the German Blue Angel, which was founded in 1978, achieve high recognition in their native Member State. In contrast, other Member States have no national scheme and traditionally low recognition of the pan-European EC Eco-label. However, the EC Eco-label is gradually increasing in prominence in some member states such as France, Spain and Italy and this illustrates that there is significant potential for increasing awareness across all Member States via official marketing and promotional activities. In Denmark, recognition of the Nordic Swan is far higher than that for the EU Eco-label but, when recognised, both have “*high credibility among the consumers, apparently because public authorities endorse them*”⁽¹⁾.

Consultees noted two potential problems regarding data quality, which may adversely affect Type I schemes.

“The Eco-labelling Competent Bodies all have different systems for updating and checking their data (one of the main problems of the scheme is that there are so many Competent Bodies and few standard procedures - for example, over deciding what constitutes one product), so [in terms of data quality] a distinction needs to be made between Type 1 schemes with a single administrator and those with several.”⁽²⁾

“The accuracy and availability of data depends very much on the producers and whether they are willing to co-operate. Voluntary schemes like eco-labelling schemes are vulnerable to boycotts.”^{(3) (4)}

Elements needed to maintain or increase the credibility of Type I schemes include:

- balanced stakeholder involvement in criteria development, particularly including environmental NGOs
- stringent criteria covering entire life cycle
- frequent review of criteria to ensure that they are up to date with technological, product and environmental developments
- potential expansion or co-operation with other labels to cover social and health aspects.

(1) Danish Environmental Protection Agency (DK EPA)

(2) EU Competent Body

(3) Norwegian Foundation for Environmental Product Labelling

(4) For example, the German Blue Angel for recycled paper was initially collectively boycotted by the German paper industry in the late 1970s. The boycott was broken when an American firm, Scott Paper Co, applied for the label.

3.8.2 Stakeholder comments: Type II

The lack of credibility of self-declared claims (discussed in *Chapter 2, Section 2.2*) due to the existence of invalid declarations has long been cause for concern by consumer organisations and environmental NGOs. Declarations may be invalid due to lack of ability to substantiate claims or their irrelevance in environmental terms. Currently, the credibility of Type II programs tends to be determined by the reputation of the company or organisation concerned, in the marketplace in which it operates ⁽¹⁾. Options for addressing this issue and applying ISO 14021 are discussed in the final chapter.

3.8.3 Stakeholder comments: Type III

Type III labels may be self-declared or may be run as a programme or developed with an organisation which is able to give the scheme credibility. The ISO technical report 14025 requires all type III claims to undergo Critical Review (in accordance with ISO 14040) to verify the validity of the Life Cycle study and the content and format of the information presented to purchasers. However this is not current established practice.

There was a strong message from environmental and consumer organisations that “*as long as there is no third party certification in these [Type III] schemes, they are not credible*” ⁽²⁾. Such certification would be facilitated by the quantifiable nature of Type III labels but would have to cover a wide range of data and impacts compared to certification of other claim types.

3.8.4 Stakeholder comments: Single issue

According to stakeholder opinion, the consumer credibility of most third party certified single issue labels such as the FSC (Forest Stewardship Council) and MSC (Marine Stewardship Council) is excellent due primarily to the high credibility of the parties involved eg the World Wide Fund for Nature (WWF).

However, in both cases these established single issue labels have recently been challenged by competing labels. In the case of the FSC, a rival Pan-European Forest Certification (PEFC) has been established, whilst the MSC is potentially threatened by Nordic plans to establish a government-based regional ‘eco-label’ for wild fish and fish products. In both cases it is likely that the established labels will retain their high credibility amongst consumers, *if* consumers are aware of the NGO involvement. However, if this involvement is not made clear, there is the potential for loss of credibility by association if the new schemes have lower standards and receive negative publicity, in the same way that the existence of invalid Type II claims has negatively affected the credibility of all environmental claims including Type I labels.

(1) TerraChoice, Canada; EuroCommerce, Portugal; ANPA, Italy; UK DETR; UK DTI (personal opinion).

(2) World Wide Fund for Nature (WWF)

i.e. ability to reduce the environmental impacts of products & encourage continuous improvement.

Why is this parameter Significant? What are its Implications?
<ul style="list-style-type: none"> • The environmental effectiveness of label types will affect their use (and subsequent promotion) by government as a policy tool
What Influences this parameter?
<ul style="list-style-type: none"> • Environmental effectiveness is a function of all the previously discussed parameters. • However, there are specific additional characteristics of each label type that will affect their ability to bring about improvements in the environmental performance of products, for example, since the label types vary in their coverage of impacts & criteria.
Summary of label type characteristics for label types I, II and III
<p>I. Divergence of opinions</p> <p>II. Can be high if claims are relevant, avoid trade-offs and impact is a competitive issue</p> <p>III. Yes if cover all relevant impacts, explain trade-offs, comparable with other products and market competition</p>

3.9.1

Stakeholder comments: Type I

In a survey of German companies ⁽¹⁾, “38% percent believed that the [Blue Angel] eco-label had led to a clear improvement in the environmental quality of their products”, and a further 28% agreed to this statement with reservations.

The ability of Type I schemes to bring about improvements in product environmental performance will depend on the level of market penetration (which varies between schemes, see *Product Availability*). For example, in some sectors the German Blue Angel has become so firmly established that the awards criteria have become a standard for products eg photocopiers, heating appliances and hydraulic fluids ⁽²⁾. In a survey of companies using the label ⁽¹⁾, one noted, “*In the beginning, labelling with the Blue Angel had a positive effect on sales. Today, the Environmental Label has become the standard.*”

Type I pass/fail award schemes are often criticised for being limited to influencing the top end of the market. However, there is evidence that Type I criteria are also seen as an indication of best practice and/or future policy by producers who use the criteria as guidance to improve their products. Hence even when not applied, Type I labels can contribute to improving product environmental performance and availability of improved products. This relies on the criteria being up-to-date which can be problematic.

The review and up-date of Type I criteria provides a formal framework for raising product environmental performance. However, the time-scale of review (typically every 3 years) can act as a restriction and even delay improvements e.g. “the introduction of refill bags for a product with the Blue Angel was delayed significantly since it was not allowed by the criteria” ⁽³⁾.

3.9.2

Stakeholder comments: Type II & III

In order to be environmentally effective, Type II claims must portray a relevant environmental impact, the improvement of which has no trade-off environmental impacts. Similarly, Type III claims must cover all significant environmental impacts ⁽⁴⁾ and explain any notable trade-offs.

There is no formal framework for improving performance within Type II and III labels which instead rely on market competition to drive improvements ⁽⁵⁾. For Type II labels, market competition is likely to depend on the level of actual or potential consumer concern surrounding the impact being communicated. For Type III labels, market competition will be increased if it is possible to compare products via standardised parameters and measurement.

(1) Assessing the Success of the German Eco-label, 1998, German Federal Environment Agency

(2) 20 Years of Experience of the German Environmental Labelling Scheme: 'Blue Angel', 1998, German Federal Environmental Agency.

(3) AIM

(4) However, Type III can only cover quantifiable aspects and hence do not cover resource depletion, loss of biodiversity etc. like any LCA-based method (Svenska Naturskyddsföreningen)

(5) SIS Eco-labelling, Sweden

3.9.3 Stakeholder comments: Mandatory Labels

One of the most effective ways of motivating producers to improve the environmental performance of their products is to provide 'negative' information i.e. which shows their products in a poor light. This occurs primarily within mandatory labelling schemes. The success of mandatory labels such as the EC Energy label in effecting improvements in the energy and water efficiency of applicable wet and cold domestic appliances on the European market have been proven, although associated voluntary agreements make it difficult to separate the effects of labelling on its own. As previously described in *Section 3.6.4*, the information provided on products by mandatory labels usually receives additional exposure in magazines and newspapers.

The downside of mandatory labels is that they rely on legislation which can take time to develop and implement (typically 5-6 years according to the European Commission), and can be costly if product data is verified.

3.9.4 Stakeholder comments: User Information

If the main environmental impact occurs during product use and depends largely on user behaviour, then user information will be most effective. This needs to be assessed against the context of product design features which can mitigate impacts during product use. For example, for washing machines, systems which remove excess detergent and automatically correct water use according to load volume and type may be more effective and have more rapid results than trying to change user behaviour via information provision.

3.9.5 Stakeholder comments: All Label Types

One consultee noted the possible consequences resulting from consumers interpretation that the purchase of labelled products provides a feeling of contentment ie labelled therefore 'okay' ⁽¹⁾. This can create a false sense of security if consumers do not differentiate between the level of environmental improvement signified by Type I labels over Type II and III. In general terms it may also act against attempts to reduce overall product consumption.

In general, "there is little information available about the effectiveness of environmental labelling in reducing product impacts, so it is difficult to assess the relative merits of each type of label. Generally, labels which appear on most products in a sector and which compare products in a standardised way, eg. eco-rating and eco-profiling schemes, can act as a spur to incremental improvement and market transformation across the sector. Pass/fail eco-labelling schemes are less strong in this respect, although the criteria-setting process itself can have a wide influence in driving up standards across a sector." ⁽²⁾

(1) Svenska Naturskyddsföreningen

(2) UK DETR

Key Parameters	I	II	III
Data Sensitivity	Can avoid disclosure of confidential data to user since the label is generally limited to a logo and qualitative supporting statements. But, lack of data disclosure in the first instance can hamper the development of Type I criteria.	No implications since industry is in full control of disclosure.	Potentially significant implications due to the quantified nature of data disclosed, however, will strongly depend on label format, party responsible for development and level of peer review.
Labelling Costs	Divided opinions	No significant additional costs	Costs may be prohibitive for SMEs; reduced via industry schemes.
Product Availability	Can be a barrier for Type I labels due to selective nature, time taken to develop criteria and limited coverage of product categories in some instances.	No significant impact on product availability.	Difficult to assess due to early stage of development, will vary depending on market structure and industry involvement.
Consumer Education & Awareness	Education regarding <i>product specific</i> impacts occurs only via requirements to provide accompanying explanatory and product use information. Associated promotional material marketing the label can raise <i>general</i> consumer awareness.	If in accordance with ISO 14021, these label types can increase or create awareness of specific product impacts, particularly if accompanied by related advertising.	If presented in formats aimed at individual consumers for lengthy purchase decisions they have the capacity to illustrate a product's specific environmental impacts and make linkages to global impacts.
Consumer Understanding	Simple to understand and use to differentiate between products <i>if</i> label type has high recognition and market penetration	Easy to understand but may be meaningless eg 'environmentally friendly' and lack credibility if not in accordance with ISO 14021	Aimed at educated purchasers, typically organisations. Understanding by 'lay-people' dependent on label presentation and length of purchase decision
Perceived Credibility	High credibility amongst purchasers and stakeholders familiar with the scheme, however, this familiarity varies between Type I labels	Low consumer credibility unless from reputable producer or retailer. Little credibility from viewpoint of NGOs or consumer organisations without adequate control via enforced legislation	Credibility with both purchasers and other stakeholders is dependent upon third party certification/endorsement and to a lesser extent producer reputation
Environmental Effectiveness	Divergence of opinions	Can be high if claims are relevant, avoid trade-offs and market competition	High if label covers all relevant impacts, explains trade-offs, comparable with other products, market competition

The label characteristics identified in the previous section (*Section 3.10*) were then reviewed to identify the main strengths and weaknesses of each label type. These were presented to workshop consultees for further stakeholder review and amendments.

It was found that one of the difficulties in identifying label characteristics at a European level is the degree of variation between labels of the same type and between Member States. For example, there are significant differences between the existing Type I schemes in terms of consumer recognition and product coverage. However, with this qualification, *Table 3.2* shows the generic strengths and weaknesses of Type I, II and III labels.

Based on these strengths and weaknesses, *critical success factors* were then identified which point to '**best practice**' development of each label type and the **supportive actions** needed to ensure their effective use. These are also presented in *Table 3.2*.

Table 3.2 Strengths, Weaknesses and Critical Success Factors of Type I, II and III labels

Label type:	I	II	III
Strengths	<ul style="list-style-type: none"> * High perceived credibility * High validity due to third party certification * Based on Life Cycle impacts * High level of consumer awareness & understanding in some countries/for some schemes (with potential elsewhere) * Use of criteria as indication of 'best practice' * Transparency 	<ul style="list-style-type: none"> * High level of consumer understanding / Simple to understand * Quick/flexible * 'Low' cost * Wide market applicability (products, company size) * Self-claim, no authorisation, no pre-clearance - high market flexibility 	<ul style="list-style-type: none"> * Based on Life cycle impacts * Detailed information * Gradated information enables differentiation between labelled products (within a product group/function) * Producer freedom/control of format and marketing (depending on scheme) * Potential for increased data availability and sharing
Weaknesses	<ul style="list-style-type: none"> ◆ Cost effectiveness ◆ Complexity reduced to simple "pass/fail" (from producers viewpoint this is negative, whereas from consumers viewpoint it is likely to be positive) ◆ Criteria may be politically influenced rather than objective/scientific ◆ Low product availability in some cases at present time eg for EC Eco-label ◆ Limited application ◆ Lack of flexibility re product changes and environmental criteria 	<ul style="list-style-type: none"> ◆ Low credibility ◆ Risk of invalid claims and poor data quality thus misleading consumers and damaging environmental effectiveness ◆ Low information content ◆ Everyone can make a green claim, no differentiation between products, possibly no competitive advantage 	<ul style="list-style-type: none"> ◆ Cost of data collection and analysis ◆ Confidentiality implications ◆ Data accuracy: may be based on generic/aggregated data ◆ Understanding may be low for average consumer (depending on format) ◆ Setting boundaries to life cycle analysis can be complex and influence validity and comparability ◆ Value judgements regarding significance of impacts can be political rather than objective/scientific ◆ Common understanding of LCA methodologies between Member States needs improving to ensure comparability and potential harmonisation. Consider using LCA input from EC Eco-label products. ◆ Not currently widely used - affects comparability and product availability

Label type:	I	II	III
<p>Critical Success Factors including complementary measures</p>	<ul style="list-style-type: none"> ⇒ Transparency ⇒ Consumer awareness: adequate publicity to ensure recognition of the label and its credibility ⇒ Endorsement by key stakeholders ⇒ Ensuring stringent, significant and up-to-date criteria developed with stakeholder participation to maintain credibility ⇒ Harmonisation of criteria between different Type I schemes, in line with above, to facilitate use by producers ⇒ Robust data checks ⇒ Visibility of logo on product ⇒ Affordable application process ⇒ Appropriate selection of products ⇒ Market penetration 	<ul style="list-style-type: none"> ⇒ Framework to prevent invalid claims: Misleading advertisement directive; ISO 14021; Best practice guidelines ⇒ Potentially some form of verification or data checks ⇒ Sector approach to achieve consensus on <u>significant</u> environmental impacts ⇒ Issue of conflict with Type I needs to be addressed 	<ul style="list-style-type: none"> ⇒ Label format tailored to end user eg consumer vs. professional purchaser ⇒ Common label parameters and methodology to be developed by industry sector/product group (with significant stakeholder involvement) to enable comparability between products. Preferably harmonised at International or European level to increase cost effectiveness ⇒ Set common Life Cycle analysis and system boundaries ⇒ Data transferable to Type I labels & vice-versa ⇒ Access to data ⇒ Control to ensure validity of approach and data eg: verification by trusted 3rd party ⇒ Dissemination: third party could assimilate product information from Type III claims and make available eg via Internet, possibly accompanied by value judgements ⇒ Issue of conflict or replacement of supplier questionnaires / existing environmental product declarations eg NITO for IT equipment needs to be addressed ⇒ Combined use of life cycle data for Type I and III would reduce costs

4.1**INTRODUCTION**

When is the provision of product environmental information via a label most effective? In what circumstances is each label type most appropriate?

This chapter aims to identify at a generic level, across all product categories, the situations in which type I, II and III labels are most effective. This is achieved via the construction of a suitability matrix and subsequent discussion of the product and purchase variables involved.

By identifying the situations in which each label type is most suitable, it is possible to begin to delineate conditions for optimal use of each label and hence provide guidance which can be used to increase effective use of environmental labels, whilst avoiding potential antagonisms and exploiting complementarities.

The suitability matrix is based primarily on stakeholders' opinions and experiences informed by the questionnaire consultation and partially developed at the workshop. Additions have subsequently been made by ERM. Therefore, the matrix has not been subject to peer review in its entirety, and as a result it is suggested that the matrix provides a *draft* framework for assessing the suitability of different label types in different situations. Recommended next steps include expansion to cover other forms of product environmental information, peer review and testing of its applicability to specific product categories in order to revise and improve the generic matrix.

4.2

SUITABILITY MATRIX FOR TYPE I, II AND III LABELS

Table 4.1 Suitability of label types I, II & III

Product/Purchase Variable:	Conditions in which label type is most suitable:		
	Type I	Type II	Type III
⇒ <i>Market life-span (of product)</i>	⇒ Less suitable for products with short market life-span (<2 years)	⇒ All	⇒ Less suitable for short market life-span if complex life cycle analysis required
⇒ <i>Length of product development</i>	⇒ Product specific - no generic categorisation possible	⇒ All	⇒ Less suitable for short product development if complex life cycle analysis required
⇒ <i>Purchaser eg individual, company, public body</i>	⇒ All (applicable to purchases by individuals & private and public organizations)	⇒ End consumer (individual) ⇒ To lesser extent business-business	⇒ Professional purchasers (public and private organisations) ⇒ May be used by individual consumers if user-friendly format and lengthy/financially significant purchase decision
⇒ <i>Type of purchase decision ie length and significance</i>	⇒ All but particularly suitable for quick purchase decisions	⇒ All but particularly suitable for quick purchase decisions	⇒ Significant purchase decision (cost and/or volume) warranting more lengthy consideration
⇒ <i>Significance of product environmental impacts eg very high, high, medium, low</i>	⇒ Very high (best practice), high and medium ⇒ Avoid low impacts	⇒ All <i>relevant</i> environmental impacts	⇒ Medium & High ⇒ Avoid low impacts

Product/Purchase Variable:	Conditions in which label type is most suitable:		
	Type I	Type II	Type III
<p>⇒ <i>Potential for improving product environmental impacts eg via:</i></p> <ul style="list-style-type: none"> ◇ <i>changes to product design;</i> ◇ <i>changes to product manufacture;</i> ◇ <i>changes in consumer use behaviour;</i> ◇ <i>alternative product/service</i> 	<p>⇒ Should be targeted at products with <i>significant potential</i> for reduction of environmental impact</p> <p>⇒ Yes – product manufacture – although some regard this as potential trade barrier</p> <p>⇒ Yes – impacts improved via consumer use behaviour if occur alongside impacts improved via product design</p> <p>⇒ Not applied to product category if an alternative environmentally superior product or service category exists which fulfils same function</p>	<p>⇒ Yes – changes to product design</p> <p>⇒ Possibly limited for manufacture due to lack of direct consumer impact and concern</p> <p>⇒ Not applicable for changes to use behaviour for which user information is most suitable</p> <p>⇒ Alternative product/service must be taken into consideration when establishing relevance of claim</p>	<p>⇒ Yes – changes to product design</p> <p>⇒ Yes – product manufacture</p> <p>⇒ Particularly where both of above are relevant</p> <p>⇒ Not applicable for changes to use behaviour for which user information is most suitable All except consumer use behaviour</p> <p>⇒ Alternative product/service must be taken into consideration when establishing relevance and comparability of parameters presented</p>
<p>⇒ <i>Range of significant environmental impacts caused by product eg single, couple, broad range</i></p>	<p>⇒ Wide range of impacts, not single issue</p> <p>⇒ Particularly suitable when there is a trade-off between environmental impacts</p>	<p>⇒ Single or, to lesser extent, couple</p> <p>⇒ Not suitable when there is a trade-off between environmental impacts</p>	<p>⇒ All</p> <p>⇒ Potentially problematic if varied range of impacts between products in same category. This would reduce comparability and require complex purchaser decisions</p>
<p>⇒ <i>Existence of significant social impacts related to the product/service</i></p>	<p>⇒ Avoid products with significant social impacts unless criteria take these into account or linkages with credible social labels (eg Fair Trade) can be formed</p>	<p>⇒ Can be combined with credible claims relating to social performance</p> <p>⇒ Avoid making environmental claims if cannot also address significant social impact(s)</p>	<p>⇒ Avoid products with significant social impacts unless these are also reported on or linkages with credible social labels (eg Fair Trade) can be formed</p>

Product/Purchase Variable:	Conditions in which label type is most suitable:		
	Type I	Type II	Type III
⇒ <i>Consumer recognition, awareness and concern regarding product's environmental impacts</i>	⇒ All, depending on label recognition ⇒ Particularly useful where there is a lack of consumer understanding of environmental impacts	⇒ High existing and/or potential concern	⇒ All ⇒ Particularly for professional purchasers where forthcoming legislation, NGO pressure etc. is causing concern
⇒ <i>Existence of other labels both of same and different type eg compatible with type x; avoid overlap with type y</i>	⇒ Conflict between different Type I labels if applied to same product category in same market ⇒ Conflict between Type I labels and certified single issue labels ⇒ Development of Type I may not be cost-effective if Type II are valid, credible and well-established	⇒ If Type I is well established, Type II will have less impact ⇒ Co-existence with Type I is debatable ⇒ Co-existence with Type III possible for different audiences	⇒ Potential linkages with Type I, eg data transfer, if in appropriate framework
⇒ <i>Market structure eg</i> ◇ <i>no of producers</i> ◇ <i>volume of sales</i>	⇒ Major rather than niche markets ⇒ Can be applied to market dominated by small number of producers if uptake assured	⇒ All	⇒ Major rather than niche markets ⇒ Possibly unsuited to SMEs
⇒ <i>Relevant existing or planned policies eg producer responsibility legislation</i>	⇒ Use as 'soft' policy tool as forerunner to future legislation/fiscal measures – see discussion under Significance of Product Environmental Impacts ⇒ Application alongside producer responsibility legislation only where several other non-related significant impacts exist ⇒ Not beneficial if criteria are not updated in time to account for forthcoming legislation	⇒ May be applied alongside producer responsibility legislation to address additional impact(s) of high consumer concern	⇒ May be used alongside existing legislation to encourage/identify improvements above and beyond requirements ⇒ May be used by government and others as an indicator/ measurement of impact of policy initiatives eg voluntary agreements and/or elements of company performance

4.3 SUPPORTING INFORMATION FOR SUITABILITY MATRIX

4.3.1 Market Life-Span

The development of Type I criteria is time and resource-consuming, especially at European level due to the need to achieve consensus from a large number of parties. This will be reduced as life cycle assessments and product data become more commonly available, however Type I will always take more time to develop and apply in comparison to Type II and, to a lesser extent, Type III claims.

Type I labels are generally not suitable for fast moving consumer goods and products with a short market life span, eg electronics, particularly if new products are significantly different in terms of composition and/or manufacture. This is due to both the length of criteria development and the application process, which in some cases can be longer than the products' market lifetime. However, relatively minor changes from previous products could be incorporated if the criteria for Type I schemes could be made more flexible and the application procedure streamlined for 'similar' new products by the same producer or service provider.

With the same exception, Type III labels are not suitable for products with short market life spans due to the time-consuming nature of developing the label and subsequent cost implications. However, this will depend on whether a full life cycle analysis is required, whether an industry scheme is established to share costs and reduce duplication of effort, and whether product data is readily available due to its collection and measurement for other purposes eg EMAS, environmental report etc.

4.3.2 Length of Product Development

Type II claims are not adversely affected by differences in length of product development. Type III labels will be unsuited to short product development cycles if the life cycle analysis required takes longer than the development process. However, the Type III label may be issued later if the product's market life span is sufficiently long and demand exists.

Length of product development can also be an issue for Type I labels due to the length of time taken to develop and later revise criteria. The relationship between length of product development and Type I labels is complex due to the number of variables involved. For example:

- * not only the length but cost of product development;
- * timing of new product release ie do products follow set market release dates as in fashion textiles enabling suitable timing of criteria release eg if new or revised Type I criteria are published following or near the end of a long and complex product development cycle then the costs of making changes to meet those criteria may be prohibitive;
- * degree of product change required to meet revised criteria.

This means that this parameter for Type I labels is not open to generic categorisation and will have to be considered per product category and market structure.

“All current Eco-label schemes [Type I] work on a pass/fail basis ... thus creating, de facto product standards which can negatively influence the manufacturer's ability to innovate, since adoption of a radical innovation can result in extended debate and loss of time before the eco-label can be used. Since Type II labels do not involve the use of pass/fail levels, they should not be a barrier to the innovation process.” ⁽¹⁾

4.3.3 Purchaser and Type of Purchase Decision

Type I labels are suited to use by *all* purchasers, both individuals and private and public organizations including retailers, particularly where there is a lack of **time** or **knowledge** to interpret the environmental impacts. According to the German Environment Agency, “*two studies have shown that the Blue Angel is even more important for the target group ‘professional purchaser’ eg in trade, than for private consumers.*” ⁽²⁾ However these findings could be explained by a lack of other forms of product environmental information for professional purchasers at that time and/or low visibility for individual consumers.

In order to be fully utilised by individual consumers for quick purchase decisions eco-labelled products must be readily available and the eco-label must be visible on the front of the package and fully recognised. At the moment, some “*Type 1 pass-fail labels often have the disadvantage that they have a limited visibility and therefore impact in the market.*” ⁽³⁾

Type II labels are potentially applicable to purchases by individuals and private and public organisations (if credibility is assured). They are particularly suited to quick purchase decisions by individuals.

Type III labels are primarily aimed at professional purchasers but consumers may use them for lengthy purchase decisions (eg cars). It is possible that a Type III label could consist of a data sheet to fulfil professional purchaser information requirements, which are then translated into simplified pictorial representations (eg histograms) to facilitate consumer understanding. ⁽⁴⁾ It should be noted that consumers are more likely to take note of environmental information when it is incorporated into existing and common information channels. For example, incorporated into the appropriate sections in product brochures and accompanied by a summary table to facilitate comparison, rather than presented as a separate information source.

(1) AIM

(2) 20 Years of Experience of the German Environmental Labelling Scheme: 'Blue Angel', 1998, German Federal Environmental Agency

(3) UK Department of the Environment, Transport and the Regions (DETR)

(4) Norwegian Foundation for Environmental Product Labelling

4.3.4

Significance of Product Environmental Impacts

Environmental labelling relies on action from purchasers to effect change and hence is not suitable as a primary tool to address highly significant product environmental impacts which require immediate and stringent action. However, Type I labels are designed “*to reward environmental leadership*”⁽¹⁾ and hence can be used to encourage further improvements above and beyond that requested by legislation.

Mandatory labelling which includes an element of ‘shaming’ producers is generally more effective at bringing about product improvements than voluntary labelling and can be used as part of a policy package to address *key* priorities eg the EC Energy label aims to effect reductions in domestic energy use as part of policy targets to reduce CO₂ emissions. However, this has to be balanced against the fact that mandatory labels generally take longer to develop and implement than voluntary labels.

It should be noted that Type I and Type III labels contribute to knowledge about the significance of product impacts via data collection and life cycle analyses. In addition, Type I criteria often act as indicators of policy and legislative initiatives. This can be useful from a government perspective to prepare the ground for such measures eg via R&D, technology development etc and from a producers viewpoint in gaining a competitive advantage from being a ‘front-runner’ in meeting future legislation or fiscal measures.

Due to the time and cost intensive nature of Type I and III labels it is suggested that these are not used for products with low overall environmental impacts.

4.3.5

Potential for Improving Product Environmental Impacts, eg via:

◇ *Changes to Product Design & Changes in Consumer Use Behaviour*

All label types are suited to products that rely on changes to product design to improve their environmental impacts.

User information (rather than I, II or III labels) should be used for improvements that require changes in consumer behaviour that cannot be achieved via product design. However, where this exists alongside other impacts, Type I schemes that require the provision of appropriate user information alongside addressing other impacts would be most appropriate.

◇ *Changes to Product Manufacture*

There is an ongoing debate about the use of labels to encourage improvements in product manufacture, related to the trade implications of differentiating between products on the basis of their production rather than the product itself. According to Harald Neitzel, “*A product category should not*

(1) Global Eco-labelling Network (GEN): <http://www.gen.gr.jp/eco.html>

be selected as a project for environmental labelling if the feasibility study relates most environmental damage and/or the priorities for environmental improvement to PPM [Process and Production Methods]" ⁽¹⁾. However, this is challenged by current Type I practitioners and the success of Type I labels for products whose main impacts occur during product manufacture, eg the EC Eco-label for textiles.

In cases where the product manufacture issue is of little direct consumer concern a Type I label will be more suitable. In such circumstances, a Type II or III claim which outlines the product manufacture impact would have little consumer impact.

It should be noted that we are not in favour of environmental management systems (EMS) being considered as synonymous with good environmental *performance* during the manufacturing stage. Whilst EMSs encourage and facilitate commendable environmental performance via good management practices, they only require continuous improvement rather than concrete levels of performance and hence do not *guarantee* good performance and should not be used to indicate such within Type I or Type III labels.

◇ *Alternative Product/Service*

Type I labels should not be applied to products where the same end and significant environmental benefits are realised by alternative product or service categories as this can provide a false indication of optimal environmental choice eg applying eco-labels to luxury cars. This should also be a consideration in determining the relevance of Type II and Type III claims.

4.3.6 *Range of Significant Environmental Impacts caused by Product*

Type I labels are useful for a wide range of impacts rather than single issue and are particularly useful when there is a trade-off between environmental impacts.

Type II labels are most suited to a single significant environmental impact.

The effectiveness of Type III labels will be reduced if the range of products within one category varies considerably in their significant environmental impacts, since then it may be difficult to gain consensus on standardised or agreed criteria and result in reduced comparability. Secondly, if there are trade-off between environmental impacts then Type III labels will require knowledgeable end users to avoid confusion and lack of understanding as Type III labels contain no value judgements and producers are unlikely to explain these trade-offs if it jeopardises competitive advantage.

(1) Applying non product-related criteria in eco-labelling: some controversies and experiences, 1998, Harald Neitzel - German Federal Environment Agency

4.3.7 *Existence of significant social impacts related to the product/service*

In all cases, it is recommended that the situation is avoided in which a product with a social claim competes against one with an environmental claim. Ideally all elements of Sustainable Development need to be addressed, hence the product should meet both environmental and social criteria.

Type I Eco-labels in particular could receive highly negative publicity if applicable products are competing against Fair Trade or similarly socially improved products. For example, this conflict could arise for shoes, clothing and textiles. The development of synergies between environmental and social claims should be considered. This is easiest to achieve for Type II claims but linkages between Type I Eco-labels and credible social labels such as the Fair Trade symbol could also be feasible.

4.3.8 *Consumer Recognition, Awareness and Concern regarding Product's Environmental Impacts*

The Type I 'seal of approval' is particularly useful where there is a lack of consumer understanding of environmental impacts. In terms of consumer awareness and concern, the use of Type I labels will depend to a certain extent on their level of recognition, for example in Germany the Blue Angel began with products for which there was already consumer awareness regarding environmental impacts and hence demand. Now that the label is established and recognized, however, it can be used to create awareness. ⁽¹⁾

Type II claims are suited to impacts that have high existing *or potential* consumer concern. In the latter case they can be used to create awareness (see *Section 3.6.2* for full discussion).

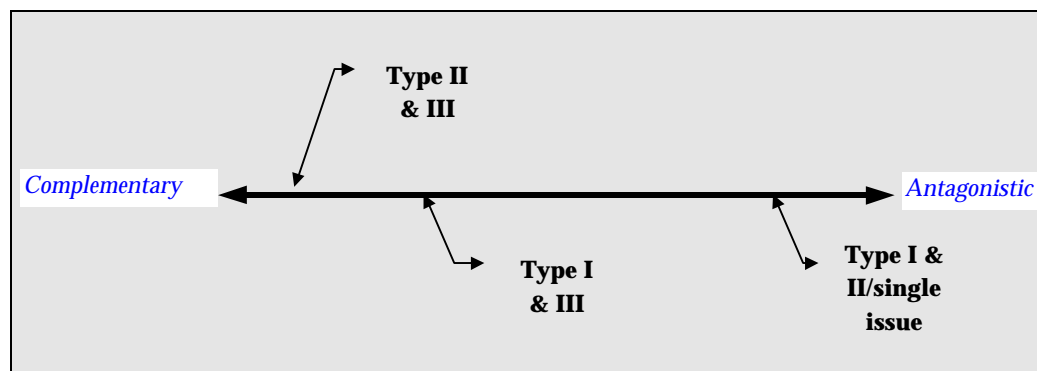
Type III labels will need to fulfil the information requirements of professional purchasers. These will depend on a variety of factors including forthcoming and existing legislation, and potentially consumer concern in order to avoid adverse publicity and meet employee expectations.

4.3.9 *Existence of Other Labels both of same and different type eg compatible with type x; avoid overlap with type y*

The amicable co-existence of different label types within the same product category will vary depending on the set-up of Type I and III schemes, level of recognition of Type I labels and adequate control of invalid Type II labels. The diagram overleaf provides an illustration of common situations.

(1) Institut fuer oekologische Wirtschaftsforschung, IOEW

Figure 4.1 *Complementarities and Antagonisms between Label Types*



Within Label Types

Different Type I claims in use for the same product category in the same market will confuse consumers and reduce the 'best in class' or Rolls Royce indication of environmental performance, thus reducing their effectiveness.

Type II claims covering different environmental impacts on two products in the same product category could confuse consumers or could be seen to enable consumer choice. This is why Type I or III labels are preferable for multi-impacts, particularly those which involve trade-offs.

As has already been stated, standardised or agreed criteria for Type III claims, preferably harmonised at European level, will reduce consumer confusion and increase comparability.

Between Label Types

Type I labels are likely to compete with, rather than be complemented by, established, credible Type II and single issue labels covering a specific impact of high consumer concern. This is because there will be little incentive to use a Type I label in such circumstances. However, if a product has several environmental impacts, only one of which is of high consumer concern, possibly a Type II claim could highlight this impact and be accompanied on the same product by a Type I label to provide credibility. A definitive answer is therefore not available.

Type I and type III labels have the potential for great complementarities in terms of sharing data and life cycle analyses. However they may compete if different target audiences are not identified and if the Type I label is not well established or recognised.

Type II and III labels could easily be complementary, for example a Type III label could be used for key purchases by private and public organisations and the life cycle analysis used to identify the most significant impacts. Where these coincide with existing or potential consumer concern they can subsequently be communicated via a Type II label for purchase decisions by individual consumers.

Avoiding antagonisms between label types and other forms of product environmental information is a key issue in the development of a future labelling strategy and is the subject of further discussion in *Chapter 5*.

4.3.10 Market structure eg

- ◇ *no of producers*
- ◇ *volume of sales*

The number and origin of products within the market needs to be considered to determine which label type and geographical coverage (eg member state or European label) is most appropriate. Type II claims are suited to all market structures but due to the more time and resource intensive nature of Type I and III labels these two claim types will be more effectively applied to major rather than niche product categories. In addition, at the present time, Type III claims are seen as prohibitively costly for small and micro-enterprises.

“The number of certified products [within Type I schemes] should not be used as the only success indicator. Sometimes an eco-label in a narrow market with only few producers can contribute more for environmental protection as in product categories in which several hundred products are certified”⁽¹⁾

As the quote illustrates, uptake of Type I labels by just one producer can be extremely effective in a market with few major players, particularly if the label is applied to a popular brand. However, targeting these markets can also risk producer boycotts and lack of uptake. Type I schemes need to ensure a certain degree of visibility in the market and level of product availability if they are to be successful and hence the market structure must, at least potentially, be in accordance with this aim.

4.3.11 Relevant existing or planned policies eg producer responsibility legislation

User information, Type II, single issue and mandatory labels are particularly suited to co-existence alongside legislative measures such as producer responsibility legislation. For example, if a product has two significant impacts only one of which is an issue of high consumer concern or results from user behaviour, this aspect could be addressed by the aforementioned product information tools and the other addressed via regulation or alternative means.

Type I Eco-labels should not be developed if planned or existing legislation will address the most significant impacts in the near future, eg via producer responsibility requirements, as this would quickly render the Eco-label redundant. In situations where the Type I label already exist and legislation is then brought in which addresses the most significant impacts then either the Eco-label criteria should be increased beyond the legislative requirements if this adds value or in the worst case the label should be discontinued.

(1) 20 Years of Experience of the German Environmental Labelling Scheme: 'Blue Angel', 1998, German Federal Environmental Agency

Case Study: Type I Eco-labels for Large Domestic Appliances

Type I eco-labels for large domestic appliances such as washing machines and refrigerators highlights the complexity which can affect a label type's suitability at any one time.

Without the mandatory EC Energy label, producer responsibility and Montreal Protocol requirements, the significant environmental impacts of these appliances were not addressed and a Type I label was eminently suitable due to the potential for notable improvements.

However, now that the main impacts have or are being addressed by legislation (CFCs for refrigerators, producer responsibility for waste electrical and electronic appliances) and the mandatory EC Energy label, Type I labels for these appliances have become largely redundant. Producer or retailer incentives to apply for a Type I label have all but disappeared since the environmental impacts which a consumer is most interested in, energy and water consumption, are communicated via a mandatory and easily comparable label which can be translated directly into pertinent and understandable cost savings. This is borne out by the lack of applicants for the EC Eco-label for washing machines.

Should, however, a jump in technology such as the introduction of ultrasonic washing machines, achieve improvements in energy and water consumption which cannot be easily incorporated into the EC Energy label, then Type I Eco-labels may once more become relevant.

As discussed in *Section 4.3.4*, Type I and Type III labels are valuable as a long-term precursor to legislation or voluntary agreements. These two label types contribute to knowledge about the significance of product impacts via data collection and life cycle analyses which can be used to feed into future legislative initiatives to address these impacts. Type I criteria often act as indicators of policy and legislative initiatives. This can be useful from a government perspective to prepare the ground for such measures eg via R&D, technology development, as an indication of what is feasible and from a producers viewpoint in gaining a competitive advantage from being a 'front-runner' in meeting future legislation or fiscal measures.

Box 4.1**Summary: Suitability of Type I**

- ⇒ Applicable to purchases by individuals & private and public organisations
- ⇒ Individuals - Quick purchase decisions
- ⇒ Lack of consumer understanding of complex environmental impacts
- ⇒ Use as 'soft' policy tool - indirect impact via indication of best practice/future legislation eg re chemicals
- ⇒ More suitable than single issue where there is:
 - * A wide range of environmental impacts
 - * Trade-off between impacts
 - * Low public concern surrounding impacts

Box 4.2**Summary: Suitability of Type II**

- ⇒ Potentially applicable to purchases by individuals & private and public organisations, if credibility assured
- ⇒ Individuals - quick purchase decisions - high level of recognition
- ⇒ Most suitable where there is:
 - * Single significant environmental impact
 - * High level of actual or potential consumer concern

Box 4.3**Summary: Suitability of Type III**

- ⇒ Best suited to purchases by businesses or public bodies
- ⇒ Potential role in replacing (or structuring) supplier questionnaires if standardised and suitably designed
- ⇒ Potential use by individual consumers for major purchase decisions with several high concern environmental impacts.

5.1 INTRODUCTION

This chapter re-iterates the need to place an environmental labelling strategy within the context of Integrated Product Policy (IPP), and subsequently outlines complementary policy tools which should be used to support the role of labels within a labelling or product information strategy.

5.2 CONTEXT FOR AN ENVIRONMENTAL LABELLING STRATEGY

Any future environmental labelling or product information strategy will not operate in isolation. As previously discussed in *Chapter 2*, it will involve the use and support of complementary policy tools and is likely to be set within an Integrated Product Policy (IPP). For example, Denmark, Finland, Iceland, Norway and Sweden have joined forces to develop a joint product policy strategy initiated by the *Nordic Working Group on Product Oriented Environmental Policy*. It is expected that such a strategy will contain the following elements:

- market mechanisms to promote environmentally-improved products;
- green procurement;
- standardised life-cycle analysis methodology;
- support for stakeholder involvement;
- product environmental information (eg eco-labels, declarations, etc).

The latest report on developing IPP at European level, entitled *Developing the Foundation for Integrated Product Policy in the EU*, which was undertaken by consultants Ernst & Young in collaboration with the University of Sussex, was recently issued by the European Commission. ⁽¹⁾

5.3 COMPLEMENTARY POLICY TOOLS TO ENVIRONMENTAL LABELLING

Many of the barriers to using product information to influence purchase decisions require addressing by other policy tools, for example:

- environmental taxation to address product affordability;
- publicity/educational campaigns eg by NGOs and Government, to raise consumer environmental education and awareness.

The following is not intended to provide an exhaustive list but instead provides details of the main policy tools that are most relevant to the development and promotion of linkages with product environmental information, and labelling in particular.

(1) The report is available from <http://europa.eu.int/comm/environment/ipp/home.htm#report>

5.3.1

Public Procurement

Many EU member states have, or are beginning to, introduce environmental criteria into public purchasing policies at both national, local and government agency levels, often linked to the implementation of environmental management systems (EMS). This is likely to be facilitated by proposed changes to EU Directives governing public purchasing which introduce environmental considerations as possible award criteria although maintain the over-riding priority of 'best value for money'. If accepted by the Council and European Parliament, these changes should come into effect from 2002.

The role of public procurement in stimulating the availability of environmentally improved products for both organisational and individual consumers is seen as crucial by several consultees. The European public sector purchases between 850 to 1000 billion Euros of goods and services each year, which amounts to 12-14 % of European GDP (1). Of this, 60-70% is attributable to local authorities. The resulting spending power can be utilised to provide demand for products with reduced environmental impacts (including labelled goods). This will have subsequent effects on consumer and business purchasing by increasing the availability of such products and lowering product price via economies of scale. In addition, 'greening' public procurement sets an example of best practice that can be followed by companies and can result in tool kits, guidelines and experience eg on the use of product environmental information and indeed its provision via guides and Internet databases, which may be made available to assist the private sector.

'Green' Guidance for the Procurement of Building Products (USA)

The US Environmental Protection Agency has launched "a new version of a software package for selecting cost-effective, green building products ... based on standards agreed to by the EPA, industry and public interest groups. The new version includes actual environmental and economic performance data for over 65 building products. The package was developed by the National Institute of Standards and technology and the Building and Fire Research Laboratory, with support from the U.S. EPA Preferable Purchasing Program and the HUD Partnership for Advancing Technology In Housing. The system assesses the following environmental impacts for building products: ozone depletion, smog, ecological and human toxicity, global warming, acid rain, eutrophication, natural resource depletion, indoor air quality and solid waste." (2)

(1) 'Green Purchasing Gaining Ground' in Enviro Report, No. 2, January 2000, Swedish Environmental Protection Agency/Swedish Ministry of the Environment; 'Proposal to Allow Green Criteria in Public Procurement' in Environment Watch: Europe, 26 May 2000.

(2) 'Green Building Products Software Announced', US EPA Press Release, 22/06/2000, <http://www.epa.gov>

As has been discussed, both Type I, II and III labels are useful tools which can be used within procurement policies for different purchase decisions and levels of purchaser expertise as appropriate. In addition, purchasers may use eco-label *criteria* (rather than being restricted to presence of the actual label) for significant purchases which will enable greater flexibility and wider applicability in other member states. This would help to avoid the unreliability of supply that can result from the vulnerability of Type I schemes to boycott or rejection by producers. Greater harmonisation of criteria between the different Type I labels would assist their use in procurement policies.

Care is needed to ensure that environmental labels are utilised appropriately within procurement policies (both public and private) as the following two examples illustrate:

- Rather than favouring one producer with a labelled product over all the others, in certain cases (depending on market structure, competition and degree of leverage) it may be more effective for a large purchaser to use their purchasing power via building on existing supplier relationships to effect improvement ⁽¹⁾. This could take the form of helping suppliers to move towards meeting Type I or single issue label criteria and/or using Type III labels as a measurement and target setting tool. This is particularly significant for major retailers.
- ‘Seal of approval’ labels can sometimes become the victim of their own success, a situation which is currently affecting successful single issue labels such as the FSC and organic labels. Demand for FSC certified timber now exceeds supply in some areas leaving retailers who have pledged only to sell certified products facing supply problems, with subsequent implications for product price.

5.3.2

Fiscal Measures

“In the future taxes should be differentiated in order to support environmentally labelled products which should be cheaper, or at least no more expensive than “conventional” products.” ⁽²⁾

Price is a principal factor in most purchase decisions and products with improved environmental performance can be more expensive for a variety of reasons eg due to a fiscal system with externalised environmental costs or the greater costs involved with using innovative or new and small scale technologies. The main fiscal policy tools which can be used to address this issue are environmental taxation and subsidies.

(1) B&Q

(2) Sveriges Konsumentråd / Swedish Consumers' Association

Environmental Taxation

The use of environmental taxation can increase the competitiveness of raw materials and finished products which have reduced environmental impacts. For example, if eco-label criteria involve the exclusion of an undesirable substance and alternatives are currently more expensive, this can raise the cost of eco-labelled products in the market. This problem could be reduced by internalising the environmental costs associated with the undesirable substance via taxation or other fiscal measure.

From an alternative perspective, applying taxes to end products in order to achieve policy objectives requires a robust method of identifying products with lower environmental impacts eg tailored labels. An example is the potential use of standardised labels or certificates for renewable electricity to identify which electricity sources classify for exemptions to carbon taxes. For this linkage to be formed between the policy tools, a label would need to be credible, monitored and preferably standardised to ensure comparability and availability of the necessary information.

Subsidies

Where environmentally preferable products are genuinely more expensive, they could be subject to price reductions via subsidies in order to encourage greater uptake and increased market share. Labels can be used to identify products which have reduced impacts as part of subsidy schemes

There are many examples of this relating to energy efficient appliances. Reductions in domestic energy consumption are required to contribute to meeting Kyoto CO₂ reduction targets. However, new technologies, eg which increase energy efficiency, may be more expensive to produce. In a recent report into Lower Carbon Futures ⁽¹⁾, it was identified that “the challenge is to get the efficient electrical appliances cheaper”. This may warrant various forms of subsidy, eg reduced VAT rates on the most efficient appliances.

Examples include electricity companies in Belgium which offer percentage rebates on energy efficient household appliances for all customers in order to reduce energy demand. In the case of energy efficiency, products with improved environmental performance can sometimes cost more initially but result in long term financial savings. This can create a barrier for low income purchasers and in response several member states have introduced subsidy schemes for low income bands eg the UK Energy Saving Trust offered reductions on energy efficient refrigerators for low income households.

In both of these examples, energy efficient products could be or were identified by their grading on the EC Energy Label, illustrating the widespread uses of labelling and its potential inter-linkages with other policy tools. Note that the format, lack of negative impact on product quality and widespread application of the label will influence its use in subsidy schemes.

(1) Lower Carbon Futures, 2000, Environmental Change Unit, Oxford University.

5.3.3

Environmental Management Systems (EMS)

The use of Environmental Management Systems (EMS) such as ISO 14001 and EMAS by both private and public organisations has grown significantly over the past 5 years. EMSs complement environmental labels in two main ways:

- a) as a driver for incorporating environmental considerations into purchasing policy;
- b) the development of product oriented Environmental Management Systems will act to drive improvements in product environmental performance and hence increase the ability to qualify for environmental labels and reduce the costs of doing so.

EMS is well recognised to have driven 'green' procurement policies, especially in those organisations such as office based firms whose main environmental impacts are associated with purchased products eg paper consumption, energy consumption from office equipment and emissions from company cars.

Both EMAS and ISO 14001 can already be interpreted to cover life-cycle environmental impacts of the product/service provided although this is rarely applied. At the moment both companies and auditors tend to limit the use of EMS to the traditional focus on environmental impacts which occur during production. However, the current revision of EMAS and impending review of ISO 14001 may emphasise a more product oriented approach. This should both drive and facilitate improvements in product environmental performance leading to more products/services being able to qualify for environmental labels, increased data availability and reduced costs.

It should be re-iterated, however, that whilst EMSs encourage and facilitate commendable environmental performance via good management practices, they only require continuous improvement rather than concrete levels of performance and hence do not *guarantee* good performance. As a result they should not be used as a guarantee of good performance within Type I or Type III labels.

5.3.4

Product Standards

For impacts and products which lack actual and potential consumer awareness and concern (from both organisations and individuals) labelling may be ineffective. This may be due to:

- the predominance of, or antagonisms with, other product characteristics
- lack of appeal, lack of ability to relate to or understand the impact(s).

Product standards can ensure that environmental impacts that are less likely to be subject to consumer demand are incorporated into product design. They are likely to be particularly effective where there is a critical mass of support and consensus from producers.

For products with several significant impacts, one of which is of high consumer concern, product standards could be used alongside single issue labels in cases where there is no trade off between the different impacts.

In other cases, product standards can be used alongside voluntary environmental labelling to enforce minimum standards while labelling is used to reward further improvements and best practice. In this latter case, product standards need to be linked to labels to ensure that self-declared claims do not simply state improvements required by the standard and to ensure that Type I label criteria are set well above product standards to maintain their 'Best in Class' and added value status.

5.3.5 *Voluntary Agreements*

Several linkages can be made between voluntary agreements and labelling.

1. Use of labels to identify improvements and targets within a formal agreement

For example, the mandatory EC Energy Label provides all models of refrigerators, washing machines and dishwashers with an energy efficiency grading. These grades formed the basis of a voluntary agreement between manufacturers and the European Commission to phase out the least efficient appliances, which were able to be identified via the grade on the EC Energy Label. The mandatory nature of the label meant that the agreement could be easily monitored since all manufacturers must apply for a label and it must be present on all retail display models.

2. Use of labels to communicate targets and achievements of voluntary agreements

Type III labels in particular can be used to highlight and communicate the achievements obtained and targets set as part of voluntary agreements, potentially resulting in additional competitive advantage. From a policy perspective, increasing the exposure of corporate commitments made in voluntary agreements results in increased pressure on companies to meet these commitments and informal 'monitoring' by consumer and environmental organisations.

5.3.6 *Environmental Education*

Environmental education both in generic, impact-specific or product specific forms and aimed at consumers and sales advisors is critical to the success of environmental labelling. Consumer awareness of, and concern for, the environment in general and the impacts of the products they purchase is crucial to generate demand for labelled products. Similarly, experience with existing labels has shown that there is often a significant information gap caused by a lack of reference to or explanation of the label/claim by the retailer or principal source of sales advice ⁽¹⁾ ⁽²⁾.

(1) Lower Carbon Futures, 2000, Environmental Change Unit, University of Oxford.

(2) Creating the Green Consumer, 1999, A.Carter, Imperial College, University of London.

Other forms of product environmental information

Labels are only one form of product environmental information and linkages can be formed between labels and other information sources such as helplines, procurement guidelines and corporate environmental reports.

Guidelines

“Environmental guidelines elaborated especially for public purchasers have proved to be a valuable tool in Denmark. In the guidelines it suggests that products fulfilling the eco-label criteria are preferred. The guidelines can also be used for product groups without eco-label criteria.” ⁽¹⁾

Demand exists for product-specific guidelines which can be used both by organisations in their purchase decisions ⁽²⁾ and by producers wishing to improve the environmental performance of their product and make valid claims. Guidelines for specific product categories can:

- Identify the significant environmental impacts (based on existing Type I criteria and Type III labels);
- Indicate the range of environmental performances available;
- Provide a summary of the different claims applicable to that product (including explanation of Type I claims and links to criteria; best practice examples of Type II claims; standardised parameters for Type III claims).

Environmental Reporting

Corporate environmental reports (CERs) are not generally used directly by individual consumers or professional procurers, the latter tend to use supplier questionnaires. However, CERs increasingly include information and targets on the significant impacts of their products or services. In recent debates over extension of corporate reporting regulations in Denmark, environmental NGOs called for more requirements on product information ⁽³⁾.

Internet Databases

As the availability of product environmental information increases via labels, declarations and corporate environmental reports, it could be used by NGOs, consumer organisations and/or government bodies to produce databases of product impacts. These could be used to provide an easy to use and comprehensive information comparing the environmental performance of different products. It would also exert indirect influence on producers via highlighting poor product environmental performance ⁽²⁾, particularly if exposed in the media.

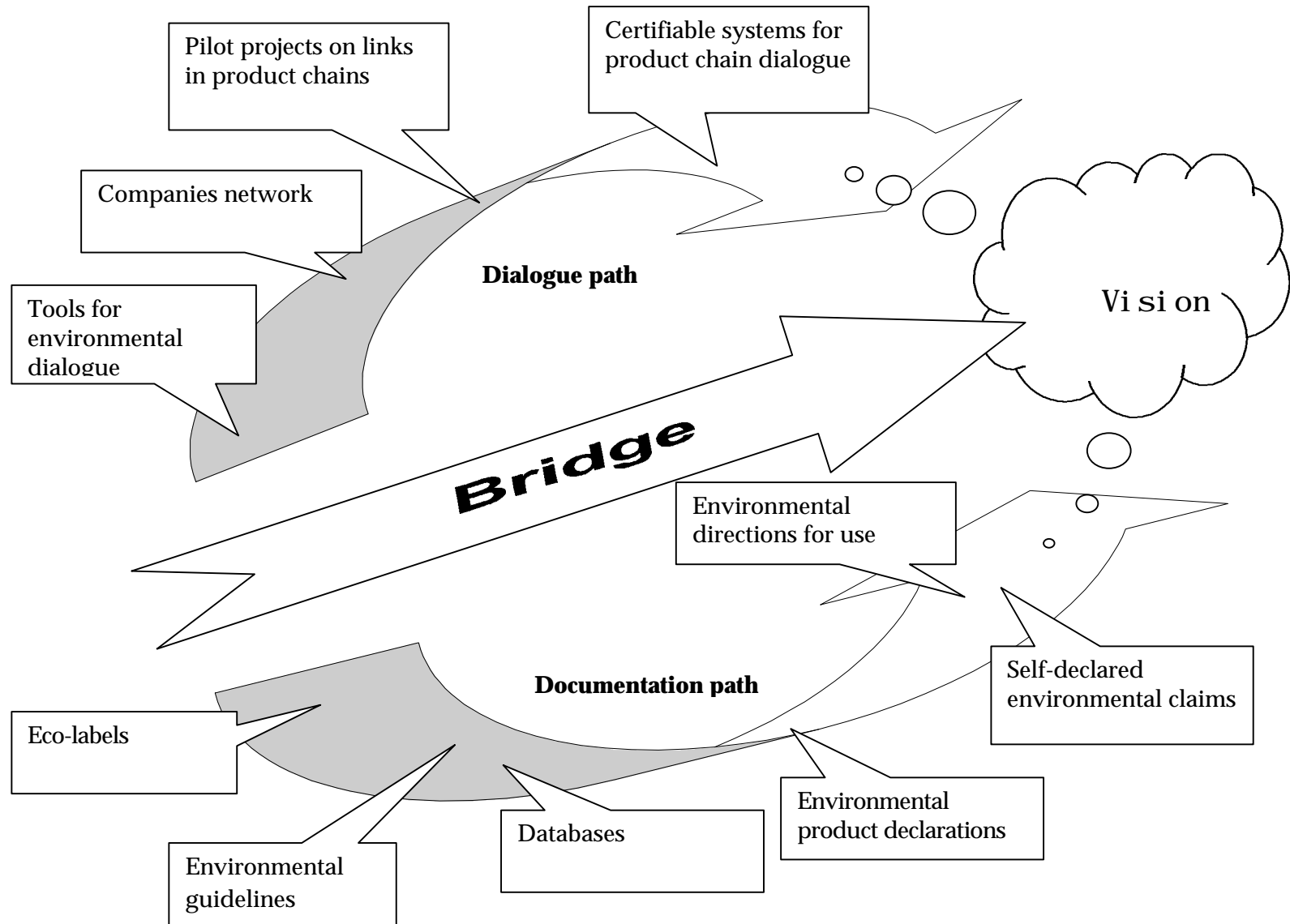
(1) Danish Environmental Protection Agency (EPA)

(2) UK Department of the Environment, Transport and the Regions (DETR)

(3) Denmark to expand corporate reporting rules, 10/5/2000, ENDS Daily

Existing Consumer Advice Channels

Product environmental information portrayed by labels and in other formats eg on Internet databases, will receive maximum exposure and attention if it is incorporated into common consumer advice channels such as magazine articles, consumer test reports such as Which? and Test Achats, and in store sales advice (both verbal and written). Achieving this will depend on the credibility of the information obtained since these sources will not want to use or incorporate suspect information. An example is provided by the EC Energy label, which is shunned by some sales assistants and magazines due to the lack of validation of results and publications showing differing gradings between the official results and those obtained by consumer organisations.



Valør & Tinge, December 1999, *'Two ways and one bridge: economical and informational barriers for the distribution of cleaner products'*.

6 FUTURE OPTIONS FOR A EUROPEAN ENVIRONMENTAL LABELLING STRATEGY

6.1 INTRODUCTION

This penultimate chapter outlines possible strategy options developed from stakeholder consultation, which establish different roles for label types within a policy framework. Consultee opinions of these strategy options are then discussed in more detail.

6.2 POSSIBLE STRATEGY OPTIONS

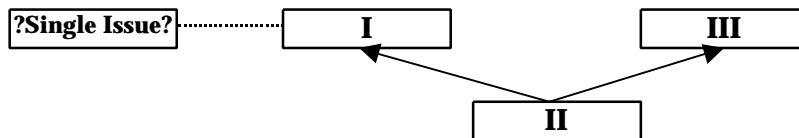
This section outlines possible options for a European Environmental Labelling Strategy which were developed from stakeholder consultation. It is important to note that this study was devised to examine the roles of Type I, II and III labels within a future strategy, with appropriate consideration of mandatory and single issue labels. As such it takes a pragmatic approach and has asked stakeholders how existing tools can be used within a strategy, rather than starting from a blank sheet. Consequently the strategy options presented in *Box 6.1* are framed around these label types.

The options vary according to the strategic role of different environmental labels. For *all* options it is recommended that other supportive tools (outlined in *Chapter 5*) are utilised where appropriate. It is foreseen that these will include complementary forms of product environmental information namely mandatory labels, Internet databases and user information.

The absence of a label type within a strategy option indicates that it is not seen to have a prominent role and will not receive any 'official' recognition or promotion within a future strategy. It does not mean that it would cease to exist, for example in option C, Type II and III claims will still be made. Hence, the position of each label type within the strategy option indicates that this role would be encouraged and supported by an appropriate policy framework and official initiatives.

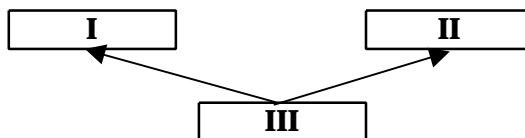
The strategy options are all based on proposals put forward by stakeholders via the questionnaire and workshop consultations. They are presented diagrammatically in *Box 6.1* (in no particular order of prominence) and subsequently accompanied by a more detailed description of each option.

A. Type II as an initial ‘stepping stone’ for producers’ on the way to use of Types I and III



COMPLEMENTARY POLICY TOOLS eg Databases, User information, Mandatory labels

B. Type III as ‘stepping stone’ to Types I and II



COMPLEMENTARY POLICY TOOLS eg Databases, User information, Mandatory labels

C. Type I as ultimate label type, used alongside other policy tools, with other label types not given prominence in policy framework



COMPLEMENTARY POLICY TOOLS eg Databases, User information, Mandatory labels

D. Complementary roles for I, II, III and single issue on an equal basis (no ‘ultimate’ claim type); restriction of other types of labels



COMPLEMENTARY POLICY TOOLS eg Databases, User information, Mandatory labels

E. Needs based approach - all labels and other forms of product environmental information on equal footing, given prominence and support within policy framework where their use is most appropriate



COMPLEMENTARY POLICY TOOLS eg Databases, User information, Mandatory labels

A) Complementary roles for Type I and Type III; Type II as stepping stone to use of Types I and III; possible role for single issue.

Type I would be aimed at individual consumers and those organisational procurers with little environmental knowledge. Type III would then complement Type I by being aimed at knowledgeable organisational procurers who require more detail to fulfil their procurement policies. In cases where the same product categories are being addressed, the costs of data collection eg undertaking a generic LCA to identify main environmental impacts, could be shared between the two schemes.

Type II would be subject to control of invalid claims and would act as a 'stepping stone' to Types I and III. The issue of how to avoid conflict between Type II, and Types I and III should be discussed.

The promotion of single issue in replacement of Type I in certain circumstances (eg to address impacts of high consumer concern) could be considered.

B) Complementary roles for Types I and II; Type III as stepping stone to Types I and II.

Type I would be aimed at individual consumers and those organisational procurers with little environmental knowledge. The use of Type II (subject to rigorous control of invalid claims) would be supported for products with a single significant impact subject to high potential or existing consumer concern. Type III would be used as a stepping stone for companies to communicate progress but not able to meet Type I criteria or able to make a prominent Type II claim such as 'CFC free'. Type III would also serve as a basis to identify, monitor and subsequently manage significant impacts.

C) Type I as ultimate label type, used alongside other policy tools, with no defined role for Type II or III and no other label types given prominence in policy framework; possible role for single issue.

Type I would be the main tool for communication with individual consumers. Procurement by public and private organisations would be informed via Type I and (possibly standardised) supplier questionnaires.

Type 1 claims should be promoted fully by the Commission and/or member states eg by TV and other media covering promotion of the concept as well as of the labelled products whenever possible. Type II and Type III claims will persist, but will not be given prominence and will be subject to increased control to remove invalid claims ie accountability demanded of the claimants.

The promotion of single issue in replacement of Type I in certain circumstances (eg to address impacts of high consumer concern) could be considered.

D) Complementary roles for Type I, II, III and single issue with no ultimate or ‘Rolls Royce’ claim type; other types of labels (with exception of mandatory labels) would be restricted.

Type I would be aimed at individual consumers and those organisational procurers with little environmental knowledge.

Type II would be subject to control of invalid claims. It would be aimed at individual consumers for those product groups for which a Type I is not suitable eg due to short time-span for product development. It could also be used for both individual and organisations in circumstances where it is more appropriate than a generic pass/fail scheme.

Type III would be aimed at knowledgeable organisational procurers who require full details to fulfil their procurement policies. They could also form the basis for agreements with suppliers to improve certain environmental impacts. They would be subject to some form of control to ensure validity of data presented and impact coverage.

All other label types with the exception of mandatory labels and user information (which are complementary) would be restricted in order to avoid conflict, information overload and consumer confusion.

E) Strategy based on looser definitions of label types and a wider range. ‘Needs’ based approach - ‘horses for courses’ - all labels and other forms of product environmental information on equal footing, given prominence and support within policy framework where their use is most appropriate

Instead of a tools oriented approach, it is possible to address the issue from a needs perspective and develop tools specific to each situation and product group. In other words, ‘horses for courses’. This could be done on a European and/or member state level in order to accommodate specific national differences.

This is an approach taken by TerraChoice in Canada (see below) which by being a co-ordinating body in the development and management of the different schemes helps to avoid confusion and conflict. The need for such a body or other framework to co-ordinate different forms of product environmental information should be a primary consideration.

TerraChoice

TerraChoice is a private body which manages the national eco-labelling program in Canada for the Canadian government. In addition they have also developed and are managing a range of other environmental certification programs for different sectors. Most of these do not fall neatly into the ISO Types (I, II or III) although the Environmental Choice Program (ECP) and pulp and paper program are Type I and III respectively.

6.3 *CONSULTEE OPINIONS*

6.3.1 *Role of Label Types within a Future Strategy*

The questionnaire consultation revealed strong differences in support for the different label types from different stakeholder groups and geographical locations. The opinions fell broadly into two categories:

1. Environmental and consumer organisations and some retailers strongly favoured Type I labels over other claim types, particularly where they were managed or endorsed by government environment agencies or departments to enhance credibility. Not surprisingly, support for Type I labels was much stronger in those countries with established national schemes (eg Scandinavia) and lower in other member states where there was also low penetration of the EC Eco-label (eg UK). In addition to the use of Type I labels, some saw the potential for Type III labels in business-to-business purchase decisions if certified by a third-party. They were highly critical of the validity of Type II labels and their negative impacts on other label types.
2. Conversely, some producers and retailers were highly critical of Type I schemes and felt that due to their time and resource intensive nature, the resources put into their development could have been spent more constructively elsewhere; for example, by targeting the purchasing policies and effecting change within the corporate strategy of major retailers. Specifically, some consultees felt that by their very nature government bodies were not suited to running efficient schemes and that instead their involvement should be via endorsement. They felt that Type II claims, with sufficient control of invalid claims, were more widely applicable, flexible and useful since they are needs based, being constructed in response to demand.

Consensus was achieved in the form of general support for the ISO standards and their use to improve the current standard of Type I, II and III labels.

6.3.2 *Consultee Opinions on Strategy Options*

The workshop discussion on the strategy options presented in *Box 6.1* resulted in the following conclusions:

- In devising a future strategy consultees felt that the ISO standards should not be used to restrict innovation or other claim types - instead product environmental information should be designed to meet the needs of specific situations in line with strategy *Option E*.
- Although some consultees were in favour of a hierarchical strategy using certain label types as 'stepping stones', the strong differences in opinion surrounding the merits of type I, II and III labels mean that a hierarchical approach is inappropriate at this stage. It was thus felt that, at present, a strategy needs to provide a framework that can support *all* product environmental information tools (*Option E*).

6.4 CRITIQUE OF STRATEGY OPTIONS

Following the stakeholder discussions and conclusions described above, it was decided not to develop a full critique of each strategy option. Instead, the preferred *Option E* was analysed in more depth.

Whilst *Option E* has the advantage of being able to encompass the different situations which exist in member states, one of the challenges for a strategy which enables the development of numerous labels and label types is to find a balance between:

- 1) Greater harmonisation to:
 - facilitate use of claim types by producers and retailers operating in a global market;
 - avoid overlap between labelling initiatives;
 - avoid consumer confusion via information overload; and
- 2) National or regional labels of all types developed at different times to meet the differing situations and approaches to environmental labelling in member states and accession countries.

In practical terms, how do we avoid a situation where a company wanting to adopt a Type I or third-party single issue label is faced with numerous different labelling schemes for his product within the European market, each with differing criteria and application procedures. And similarly, how do we avoid consumer confusion and information overload which would result if they are faced with three different label types on three products within the same purchase category?

The great difficulty with the approach outlined in *Option E* is co-ordinating multiple forms of product environmental information in order to avoid overlap, inefficiencies and antagonisms, and maximise opportunities for complementary linkages and synergies. As previously highlighted, the need for a co-ordinating body or bodies or other framework to co-ordinate different forms of product environmental information should be a primary consideration within this strategy and needs to be explored further.

7 **CONCLUSIONS & KEY RECOMMENDATIONS**

7.1 **INTRODUCTION**

This final chapter presents the conclusions of the study in terms of consultee opinions of the characteristics of the different label types and how this feeds into the development of an environmental labelling strategy. It subsequently makes key recommendations for further action.

7.2 **CONCLUSIONS**

- There is a lack of consensus amongst stakeholders on the merits of the different label types. The differences in opinion arise primarily as a result of the labels' weaknesses, identified in *Chapter 3*.
- Discussion of these weaknesses currently dominates the debate and is preventing stakeholders from developing future strategy options in depth. For example:
 - Due to the lack of consensus on the merits of the different label types, no hierarchical strategy (*Options A-C, Chapter 6*) will receive the necessary critical mass of support at the present time. This is not to say that a hierarchical strategy will never be suitable and should not be considered in the future. It is to say that major stakeholder differences will remain unresolved until the weaknesses in the label types are addressed, and hence the debate at the moment is focused on an operational rather than a strategic level.
- Since this study was strongly based on stakeholder consultation, the lack of agreement has prevented the full development and critique of strategy options. Instead, the key recommendations present, what are in our opinion, the measures needed to address the issues raised and take the debate forward.
- It was concluded that an effective future strategy will need to address not only complementarities and antagonisms between label types, but should cover all forms of product environmental information. Hence the focus will need to be on a product information strategy rather than a labelling strategy per se.

7.3 **KEY RECOMMENDATIONS**

The key recommendations can be grouped into three categories:

1. Put in place actions to address operational weaknesses in the label types.

Real efforts need to be made to address and resolve the weaknesses which currently exist within applications of the three label types. Weaknesses and critical success factors which need addressing have been identified in *Chapter 3*. In addition, several studies exist which make detailed recommendations for improving Type I and Type II claims ⁽¹⁾, and discussions continue, particularly in Denmark, on the possibility of developing organised Type III schemes. ⇒ *Boxes 7.1 & 7.2*

2. Establish a formal mechanism to develop the linkages between different forms of product environmental information, in order to optimise synergies, avoid antagonisms and increase cost-effectiveness.

This mechanism would increase cost-effectiveness via combining common elements (eg identification of product life-cycle impacts) and optimise use of product information via delineating the roles of different forms of product environmental information on a horizontal level (as opposed to a vertical hierarchy).

It will require a 'broad-minded' approach from all the stakeholders involved in the individual label types, with a focus on providing the most effective form(s) of product information as appropriate. Such an approach would ultimately strengthen all label types. ⇒ *Boxes 7.3 & 7.4*

3. Consider long-term options for a product information strategy (including information hierarchies) in depth via a small working group.

The debate on strategy options at the European level is currently in its infancy and the work presented in *Chapter 6* needs to be developed further. The discussion of long-term strategy options should: (a) be taken forward via a relatively small working group comprised of an appropriate mix of pro-active stakeholders, (b) be placed within the context of IPP following the Commission's Green Paper, (c) be established on agreed principles, and (d) be based on the assumption that the weaknesses identified in each of the label types (*Chapter 3*) will have been resolved.

(1) Two examples are: 'Promoting and Marketing the European Eco-label in Germany and Austria', 2000. J. Lohse & J. Wulf-Schnabel, Okopol; 'Study on Verification & Control of Environmental Product Claims', 1998, Prospect.

PRIORITIES FOR TYPE I LABELS

Type I labels need to be:

- A. Targeted at the most suitable product categories;**
- B. Adequately promoted to ensure consumer recognition of the label and its credibility;**
- C. Increasingly harmonised (between existing schemes) to facilitate their use by producers both directly and indirectly eg via the use of criteria as best practice.**

CURRENT ACTION:

- A. Type I schemes have different methods of identifying priority product groups. The new working plan for the EC Eco-label will identify target product categories and the methodology used;
- B. Promotion of the different schemes varies considerably. The EC Eco-label is currently promoted at individual member state level. Criticisms that promotion is insufficient must be balanced against available revenue.
- C. The intention for increased co-operation was included within the revision of the EC Eco-label scheme.

FUTURE ACTION NEEDED:

- A. Robust methodologies for identifying priority product groups need to be developed in order to avoid ad-hoc development and ensure that costly investigations are likely to come to fruition and be effective. These methodologies should (1) take into account the use of other label types, as per the suitability matrix in *Chapter 4* and (2) be considered within attempts to increase co-operation between schemes (see C. below);
- B. Although funds are a restriction, the main strength of Type I schemes is that they provide an easily recognisable logo, an element which will not be realised without adequate promotion. Promotion is not sufficient on its own, it is both fuelled by and dependent on the availability of good quality labelled products, but without recognition expansion of the scheme to other product categories will not be cost-effective. Ideally promotion of Type I schemes should also provide explanatory information on other green claims, both good and bad, and what consumers can do to identify misleading claims;
- C. The commitment within the revised EC Eco-label scheme to increase co-operation and co-ordination between schemes must be turned into action. Current schemes were developed at different times, on different bases/methodologies and with different objectives and stakeholder drivers. Whilst remaining tailored to national or regional circumstances, there needs to be a harmonisation of *principles* between schemes and robust criteria development. This will encourage Type I labels to be used more widely and cost-effectively both directly on products and indirectly (eg as an indication of best practice). Achieving this co-ordination will not be easy but should be viewed as an opportunity to improve and expand all schemes rather than as a threat to their independence.

ACTION AGAINST INVALID CLAIMS

The success of valid product environmental information of all types will depend on the adequate control of invalid claims. There is thus an immediate need to address the lack of credibility of Type II claims (and potentially Type III) via stringent control in order to remove invalid claims.

CURRENT ACTION:

DG SANCO established a working group to examine this issue and are currently exploring future actions. See *Chapter 2, Section 2.3, Box 2.2* for details.

FUTURE ACTION NEEDED:

Actions suggested by consultees during this study are: adequate legislation, detailed guidelines which can be used to interpret such legislation, a system for monitoring self-declared claims and subsequent enforcement of legislation.

We recommend that self-declared environmental claims are controlled via the extension of the EC Misleading Advertising Directive rather than separate regulations. This viewpoint has long been held by many consumer and environmental organisations and is one we endorse. Voluntary approaches have been largely ineffective, and stringent control will help those companies with bona fide environmental claims to obtain consumer recognition and subsequent business benefits.

The use of ISO 14021 or a simplified form thereof could be used as a basis for interpreting such legislation as it applies to Type II environmental claims. This is in line with stakeholders' views that the standard has widespread application and should become 'normal' practice rather than being used only to represent best practice. We would caution however, that in developing interpretative criteria for validating 'green' claims it is important to have the further input of marketing experts in order to ensure that the consumer impact of such claims is not lost via their control. In other words, to ensure that the need for environmental validity is balanced against the need to maintain consumer understanding and appeal.

Of equal importance is ensuring that appropriate legislation is adequately enforced. Using existing channels to enforce misleading advertisement legislation is likely to be most cost-effective, however, there would be a need to ensure that 'green' claims are not given a low priority. At present, consumer organisations, and to a lesser extent environmental organisations, act as informal 'watchdogs' via issuing reports highlighting examples of invalid claims. There could be scope for using these parties and competing companies to point out misleading 'green' claims to the relevant authorities. Extra resources may then be needed to enable these authorities to take effective action. If necessary, these parties could be granted the necessary legal standing to bring court actions on suspected misleading claims.

DEVELOP LINKAGES BETWEEN DIFFERENT FORMS OF PRODUCT ENVIRONMENTAL INFORMATION

One of the key issues within a future strategy is how to prevent purchasers being faced with products bearing various different label types portraying divergent and incomparable information. Needs-based development of labels and removal of irrelevant Type II claims will address this to some degree. However, there remains a need to encourage more co-ordinated development in order to avoid duplication of effort and maximise effective use of all forms of product environmental information (eg Type I, II, III, mandatory labels, single issue labels and user information).

CURRENT ACTION:

No co-ordinating role currently occurs at the European or Member State level. Even within the Commission, different labels can be established for the same product, for example Eco-labels exist for Energy-labelled products, which often makes the former redundant for the average consumer.

FUTURE ACTION NEEDED:

It is therefore recommended that a formal mechanism is established in the form of **broad feasibility studies** for individual products/product groups. Each study would:

- A. Identify Product or Service Life-Cycle Impacts** using expert opinion and existing information sources such as life-cycle analyses and Type I criteria.
- B. Identify Effective Forms of Product Information.** Following further development, the suitability matrix (see *Chapter 4*) could be used to identify which types of product information would be most effective for that particular product group.
- C. Encourage the Development of Effective and Valid Product Information via Guidelines, Recommendations etc.** Based on the outcome of (B), encourage the development of effective forms of product information via the methods suggested in *Box 7.4*.

The studies would be undertaken at the European level but would obviously take into account national differences in the market situation and marketing context (eg existence of national labels, national variations in level of consumer concern) during the analysis.

In many cases these studies should not take a long time to develop due to the existing levels of information and expert knowledge on key product groups and the lack of requirement for a full life-cycle assessment. The studies would aim to streamline the identification of life cycle impacts, pull together existing information and avoid the duplication of effort which currently occurs.

Recommendation 2, continued

Who should undertake this broad feasibility study?

All stakeholders would be involved in providing information, contributing to the development of guidance etc. as appropriate. However, it is necessary to decide which would be the leading organisational body. This decision will need to consider the following key issues:

- funding required;
- independence (lack of bias towards a particular label type, objective consideration of environmental impacts); and
- ensuring stakeholder consultation on an egalitarian basis;
- ability for rapid decision making and production of output - studies should not be so time consuming that they delay progress.

We suggest that the following options are debated:

- The European Union Eco-labelling Board (EUEB) with avoidance of bias towards Type I achieved via the use of independent consultants;
- An Independent body;
- Group comprised of Member State Environment Ministries/Agencies;
- Industry Associations;
- Combinations of the above.

2C. Encourage the Development of Effective and Valid Product Information

Encourage the development of the most effective product information types identified in 2B via the following mechanisms, as appropriate:

- Type I - if no Type I schemes exist, stimulate their development at the most appropriate level by providing information to Type I bodies. If Type I schemes do exist, ensure co-ordination in accordance with *Recommendation 1* via the use of commonly identified life cycle impacts (from A) as a basis for establishing criteria;
- Type II - produce product-specific guidance for producers consisting of significant life-cycle impacts (from A), appropriate wording of claims in accordance with ISO 14021, recommendation to undertake market analysis in order to identify what constitutes above average product environmental performance & links to existing market analysis reports eg from Type I label development. This guidance could have secondary uses such as forming the basis of voluntary agreements by industry sectors and/or to interpret legislative requirements relating to Type II claims.
- Type III - request industry associations to establish voluntary agreements or guidelines on common elements (and unit of measurement) to be included in the Type III label, based on the life-cycle impacts identified in A. Encourage Type III labels to be aimed at the most appropriate target audience identified in B. These actions will increase comparability and understandability in accordance with *Recommendation 1*.
- Guidelines for organisational procurers outlining the product's significant life-cycle impacts and existing forms of product environmental information could be issued to assist them in deciding between products and/or developing supplier questionnaires.

The Internet would be a preferable medium for disseminating guidance, with different sections for producers and purchasers (both individual and organisational), covering all forms of product environmental information including user information. This could be expanded to provide environmental performance data for existing products, if feasible.

Annex C

Stakeholders Consulted via ERM Workshop

C1 **STAKEHOLDERS CONSULTED VIA WORKSHOP ON OPTIONS FOR A EUROPEAN ENVIRONMENTAL LABELLING STRATEGY, BRUSSELS, MONDAY 26 JUNE.**

C1.1 **EXTERNAL DELEGATES**

- Eva **Eiderstrom** - Svenska Naturskyddsföreningen
- Lisbeth **Engel Hansen** - Eco-labelling Denmark
- Marianne **Eskeland** - Norwegian Foundation for Environmental Product Labelling
- Maurizio **Fieschi** - ANPA - Italian Environment Protection Agency
- Preben **Kristensen** - Danish Ministry of Environment and Energy
- Charles **Laroche** - Unilever
- Guido **Lena** - UEAPME
- Elena **Lymberidi** - European Environmental Bureau, EEB
- Louise **Olsen** - Euro Coop
- Juan **Palerm** - ECA Global
- Jans **Prebensen** - Danish Ministry of Environment and Energy
- Katrin **Recke** - AIM
- Bob **Ryder** - UK Department of the Environment, DETR
- Gerd **Scholl** - Institut fuer oekologische Wirtschaftsforschung, IOEW
- Consuela **Triglia** - COOP
- Dr Hamish **Will** - Lever Brothers
- Ellen von **Zitzewitz** - WWF

C1.2 **EUROPEAN COMMISSION REPRESENTATIVES**

Helen **Donoghue**

DG Environment: Integrated Product Policy (IPP)

Simon **Goss**

DG Environment: EC Eco-label

Thomas **Heynish**

DG Environment: Retailers and Sustainable Consumption

Gerhard **Stimmer**

DG Environment: EC Eco-label particularly initiatives in tourism and construction

Mieke **de Swert**

DG Sanco (Health and Consumer Protection): Control of ISO Type II claims

Annex B

Stakeholders Consulted via Questionnaire

B1 **SUMMARY OF RESPONDENTS**

A total of 30 completed questionnaires were received covering stakeholder groups in 10 countries (Canada, Denmark, Finland, Ireland, Italy, Norway, Portugal, Sweden, Switzerland and UK).

Table B1 **Questionnaire Responses by Stakeholder Group**

Stakeholder Group	Sent	Received
• Consumer Organisations	4	4
• Environmental NGOs	4	2
• Government and eco-label competent bodies	22	12
• Procurement associations	3	0
• Producers and trade associations	13	6
• Retailers and trade associations	7	4
• Other	4	2
Total	57	30

The following is a list of those organisations from whom responses were received:

B1.1 **CONSUMER BODIES AND ORGANISATIONS**

- *Comitato Consumatori Altroconsumo / Italian Consumer Organisation*
- *Consumers International (Recent reports)*
- *Sveriges Konsumentråd / Swedish Consumers' Association*
- *UK National Consumer Council (NCC)*

Note BEUC (European Consumers Association) distributed the questionnaire to its member state organisations.

B1.2 **ENVIRONMENTAL NGOS**

- *European Environmental Bureau, EEB*
- *WWF International*

B1.3 **GOVERNMENT DEPARTMENTS AND ORGANISATIONS & ECO-LABEL COMPETENT BODIES**

- *ANPA - Italian Environment Protection Agency*
- *Danish Ministry of Environment and Energy & Danish competent body*
- *Norwegian Foundation for Environmental Product Labelling*
- *NSAI (Irish competent body)*
- *OECD*
- *SFS Eco-labelling (Finnish competent body)*

- *SIS Eco-labelling (Swedish competent body)*
- *Svenska Naturskyddsföreningen (Swedish competent body)*
- *TerraChoice (Canada)*
- *UK Department of the Environment, DETR (Meeting)*
- *UK Department of Trade and Industry (personal opinion)*
- *UK National Health Service (NHS) Purchasing and Supply Agency (Executive Agency of the Department of Health)*

B1.4 PRODUCERS & TRADE ASSOCIATIONS

- *AIM*
- *Electrolux*
- *Eurocommerce - Portugal*
- *Eurocommerce - Svensk Handel, Sweden*
- *European Small Businesses Association (ESBA)*
- *UEAPME*

B1.5 RETAILERS & TRADE ASSOCIATIONS

- *B&Q (Meeting)*
- *Euro Coop (Position statement)*
- *Eurocommerce - Switzerland*
- *Eurocommerce - UK Retailer*

B1.6 OTHER

- *Chairman of ISO 14021 working group (Meeting)*
- *Interbrand Newell & Sorrell - Marketing consultancy (Meeting)*

B1.7

NO RESPONSE

The following stakeholders were contacted regarding the questionnaire but were unable to take part in the consultation:

Environmental NGOs

- Friends of the Earth
- WBCSD

Government and eco-label competent bodies

- DG Enterprise
- EC Eco-label competent bodies:
 - Belgium
 - France
 - Germany
 - Greece
 - Iceland
 - Luxembourg
 - The Netherlands
 - Portugal
 - Spain

Procurement associations

- Chartered Institute of Purchasing and Supply (CIPS) - European Secretariat
- European Partners for the Environment (EPE): Green Procurement Network
- Procurement Service Austria

Producers and trade associations

- Dow Chemicals Europe
- Panasonic
- Philips
- Procter & Gamble
- Rank Xerox
- UNICE
- Volvo Car Corporation

Retailers

- Brussels Retail Consortium (part of British Retail Consortium, BRC)
- 3 Suisses
- Migros

Other

- BRE
- CEN

Annex A

Terms of Reference

The contractor shall carry out a study on the use of ISO Type II and III standards for environmental labelling at Community level. Furthermore these standards should be considered in the broader context of a comprehensive Community Environmental Labelling strategy.

This involves the following tasks:

- A) A brief reference and analysis of relevant Community instruments and national policies relating to environmental labelling.
- B) Analysis of the differentiating characteristics of ISO Type II and III environmental labels, referring to possible areas of conflict and future developments.
- C) In-depth study of the possible relationship between ISO Type II and III environmental labels and other types of environmental labelling, namely Type I labels. Particular attention shall also be given to the role of possible mandatory environmental labels and voluntary single issue labels.
- D) Assessment of the impact of the different types of environmental labels with regard to SMEs and determination of their impact in consumers' choice. Consideration of the impact of greening of public procurement.
- E) Proposals for future lines of action at Community level, focusing on the establishment of a comprehensive Environmental Labelling Strategy.

The involvement and participation of relevant interest groups, such as industry, including SMEs, retailers, environmental and consumer organisations shall be actively pursued.