

# ECO-LABELING

## *A Two-Minute Briefing on Key Business Environmental Issues*

### **The Big Picture**

Ecolabeling gives credibility to your claim that your product is better for the environment, cheaper to maintain, and cleaner to recycle than otherwise similar products or services. Firms willing to change manufacturing processes, use recycled content, or otherwise transform a product benefit from this marketing scheme.

### **The Context**

Environmental standards allow for an environmental assessment of a product's impact on such factors as air pollution, wildlife habitat, energy, and natural resources, ozone depletion and global warming, and toxic contamination. Companies that meet environmental standards for their specific product or service can apply an ecolabel, which informs consumers of environmental claims (e.g. "recycled packaging" or "no toxic emissions").

Independent third parties, such as Green Seal and EnergyStar, provide non-biased verification of environmental labels and are the most reliable use of ecolabels. First-party ecolabels are self-awarded, and so aren't independently verified. In the United States, these sorts of labels are governed by the Federal Trade Commission's (FTC's) guide for the use of environmental marketing claims and must be accurate. The FTC has brought action against several manufacturers for violating truth-in-advertising laws.

Type III Environmental Product Declarations, pioneered by Swedish government and industry and based on ISO TR 14025, are a more comprehensive form of ecolabeling. These declarations, furnished by the producer, are written statements of all the environmental properties of a product e.g. a list of environmentally relevant substances, an account of all stages of the production process, and information

on the behavior of the product in various end-of-life disposition schemes. Product-specific standards detail how to measure and write Environmental Product Declarations, allowing consumers to fairly compare environmental performance of similar products.

### **Getting Down To Business**

- **Whirlpool** recently won an award for the U.S. Environmental Protection Agency and the U.S. Department of Energy's EnergyStar program for its commitment to energy-efficient appliances. In 1999, Whirlpool designed a dishwasher specifically to qualify for the EnergyStar program, with the EnergyStar ecolabel prominently displayed.
- More than 400 **Panasonic** product models — including televisions, VCRs, TV-VCR combination units, DVD players, audio receivers and mini-component systems, computer monitors, copiers, printers, scanners, room air conditioners, and compact fluorescent lamps — bear the EnergyStar ecolabel. Nearly 99% of Panasonic's video products are EnergyStar-compliant, compared to an industry average of approximately 59%.
- In 1998 after international customers withdrew or suspended orders amid concern about forestry harvesting practices in British Columbia, **Western Forest Products** sought out Forest Stewardship Council certification for its products. WFP's chief forester said he expected the U.S. market to follow suit. A trade publication speculated this might be the first example of a North American forest products company seeking certification because its customers demanded it.

### **Key Players**

- **Ecolabeling organizations** independently certify that a product or service meets environmental standards.
- **Federal Trade Commission** and **International**

**Organization for Standardization** govern use of environmental marketing claims and sets standards for the use of language on products.

### **The Upside**

Ecolabeled products fill a market niche by targeting customers who choose environmentally improved products over conventional ones. Labeling gives independent, third-party verification that a product meets minimal standards for environmental improvement. Some customers — both consumers and institutional buyers — may select products with ecolabels even when they are slightly more expensive than non-labeled products.

### **Reality Check**

- Most consumers aren't familiar with the various ecolabels and what they signify — more marketing of ecolabel schemes is needed.
- Some businesses may label products as environmentally friendly when they are not.
- A voluntary labeling scheme may not be enough to encourage environmental responsibility — some suggest this requires legislation.
- Ecolabels are a challenging prospect for complex categories, such as energy; there may be a lack of consensus on guidelines and standards.

### **Action Plan**

Whether the product is third- or first-party certified, it needs to be tested against environmental standards. Many ecolabeling programs have clear standards; ISO and the Federal Trade Commission can provide additional guidance on general labeling standards. Other action steps:

- Choose the product to submit for testing and then review the standard for your product category.

- Apply for certification and pay the fee.
- Work with staff on the design of the certified product's packaging to include the ecolabel and the accompanying text that spells out the environmental preferability of your product.

### **Leads**

- **Environmental Management Market** (<http://www.environmarket.com/epd>) contains resources for learning more about and using Environmental Product Declaration; including product-specific requirements (standards governing how to calculate and report environmental performance of particular products).
- **Global Ecolabeling Network** (c/o TerraChoice Environmental Services Inc. 2781 Lancaster Rd. Ste. 400 Ottawa, ON Canada K1B 1A7; 613-247-1900; 613-247-2228; [gensecretariat@terrachoice.ca](mailto:gensecretariat@terrachoice.ca); <http://www.gen.gr.jp>) is an association of international ecolabeling organizations. GEN provides information on these different organizations and is a good source of comprehensive news and information on ecolabeling.
- **Green Seal** (1001 Connecticut Ave. NW Ste. 827 Washington, DC 20036; 202-872-6400; 202-872-4324 (fax); <http://www.greenseal.org>), the independent certifying ecolabel organization in the United States, sets standards and awards the Green Seal ecolabel to qualifying products.
- **International Organization for Standardization** (1, rue de Varembe Case postale 56 Genève 20, Switzerland CH-1211; 4122-7490-111; 4122-7333-430; [central@iso.ch](mailto:central@iso.ch); <http://www.iso.ch>) ISO standards 14020 through 14025 establish guidelines for environmental labeling, both first-party and third-party.

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- **U.S. Environmental Protection Agency's EnergyStar program** (401 M St. SW, Mail code 6202N, Washington DC 20460; 202-564-9186; roach.kayla@epa.gov; <http://www.energystar.gov/2000awards/2000awards.html>) is a labeling system for appliance, electronics, construction and other energy-efficient products. Manufacturers meet standards set for the specified product and can use the EnergyStar label on products.
- **U.S. Federal Trade Commission** established a guide for the use of environmental marketing

claims. View the guide at <http://www.ftc.gov/bcp/grnrule/guides980427.htm>.

### **The Bottom Line**

Ecolabeling, a guide for consumers to choose products and services that cause less damage to the environment than competitors' wares, is intended to reward environmental leadership. Businesses can set themselves and their products apart with careful attention to green design; ecolabeling is the marketing device that turns such an investment into profit.