

The Increasing Risks of Greenwashing

Statements relating to the environment must be substantiated to avoid brand and reputation risk



Overview

Claims made by companies for products and services often include statements about how they benefit the environment. These claims reflect growing consumer interest in the impact that derives from their purchasing or investing. They have also been increasing exponentially in the last few years.

Nobody wants to be left out in the rush to highlight carbon statements and their support for a better planet provided by their goods and services. Consequently, statements have been made that are misleading and confusing for consumers. The UK Competition & Markets Authority (CMA) have recognised this an important issue in the degree of informed choice available to consumers. Since November 2020, they have been examining the issue, and in September 2021 they delivered the findings of a consultation on greenwashing.

They concluded that up to 40% of claims made by companies they reviewed are “potentially misleading”. Their report highlights that the retail and travel sectors in particular have issues, albeit their report and advice to companies is across all sectors. They have provided some guidance and announced their intention to start prosecuting false or misleading claims from

January 2022. Unlike France which has passed a new law banning greenwashing, the CMA will use existing consumer law to ensure honesty is upheld in the use of green claims. This approach will work in tandem with current oversight by the Advertising Standards Authority and we are likely to see increased inter agency cooperation to ensure all goods and services are not sold with misleading claims.

Greenwashing Definition

There are many definitions of greenwashing. The core element is the use of statements and claims that suggest products and services have environmental benefits that are not supported by hard facts or measurement, and claims that use selected information to imply greater benefits than exist. Some of these claims may be deliberately selective, or more commonly they result from a lack of understanding regarding the claims being made.

Green claims can be anything from carbon emissions to product recycling. Carbon emissions related claims are on the rise. The growing enthusiasm for action on climate change has seen a wide range of claims that go beyond the traditional Carbon Neutral, to Carbon Negative, Carbon Zero or Net Zero. In the majority of cases, these claims are not driven by the reduction of emissions that are central to global 2050 targets. They are predominantly driven by offsets that have varying degrees of success in reducing emissions.

Less specific claims like Climate Friendly or the planting of trees for new purchases/consumer subscriptions convey the impression that purchasing has positive action and no impact on the environment. The facts and numbers behind these claims are required to enable informed purchasing, absent which, they are greenwashing.

Net Zero claims

The UK has recently seen the Premier League's first "Net Zero" football match. The effort highlights the value of engagement and awareness, but also shows how difficult it is for consumers, in this case fans, to understand what this all means. The claim is based upon several actions to reduce emissions, including the use of renewable energy use at the stadium (source unknown), reduced impacts from transport for team transport and 180 free bicycles. However, the considerable indirect impact of nearly 63,000 fans travelling to the game, despite high levels of public transport usage, still creates an immediate emissions output and it is unclear how or if this has been addressed to deliver Net Zero status.

The Net Zero claim is heavily based upon use of offsets for planting trees in Africa and the UK. Even allowing for the use of offsets to "save" more carbon than the just core emissions from the match, there is no clarity on when these were planted making it hard to understand whether carbon has been stored, or more commonly "may" be stored over coming decades, in which case Net Zero would not apply as an immediate description.

Net Zero has many interpretations and needs clear articulation for consumers. Reduction to achieve lower emissions is a key element of any Net Zero pathway, with removal of carbon from the atmosphere the other key ingredient of delivering Net Zero. Storage of emissions through carbon capture projects is at an early stage of development, leaving storage by trees as a popular alternative. The UK Woodland code allows for savings over a 100-year period and even the fastest growing trees in the UK will take 40 years to grow. This creates a lag between planting and actual sequestration of emissions, creating a positive effect that takes time to deliver. In the meantime, emissions created today are not absorbed by the act of purchasing new forestry projects and new projects will not realise storage value before the agreed 2050 target date for Net Zero.



Recommended Action

The CMA recommend six key action areas to avoid greenwashing. These are:

1. **Be truthful and accurate:** Businesses must live up to the claims they make about their products, services, brands and activities.
2. **Be clear and unambiguous:** The meaning that a consumer is likely to take from a product's messaging and the credentials of that product should match.
3. **Not omit or hide important information:** Claims must not prevent someone from making an informed choice because of the information they leave out
4. **Only make fair and meaningful comparisons:** Any products compared should meet the same needs or be intended for the same purpose

5. **Consider the full life cycle of the product:** When making claims, businesses must consider the total impact of a product or service. Claims can be misleading where they don't reflect the overall impact or where they focus on one aspect of it but not another

6. **Be substantiated:** Businesses should be able to back up their claims with robust, credible and up to date evidence

Conclusion

The CMA advice can be summarised as a requirement to review existing claims and ensure that facts, supported by measurement of impact that can be communicated to customers. If your claim is that you are climate friendly or carbon zero, what have you measured and what if any reduction has been achieved? If you are just offsetting, how are you doing this? Planting trees takes many decades to remove emissions from the atmosphere and is not an immediate benefit.

In the event that your existing review of statements relating to the environment cannot be substantiated, remove them until you have the required measurement and supporting evidence for them. The risks from CMA attention, activist litigation and consumer backlash make this an issue that has moved centre stage and worth immediate attention.