

## Eco-labels: a short guide for New Zealand producers

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Eco-labels have been around for almost three decades and, although the use of some eco-labels is growing, their effectiveness is still being investigated. This briefing provides an overview of the main eco-label categories, their meaning and specifications, and explores their use in a trade context. It concludes by recommending areas for further research to determine the actual environmental and economic benefits of eco-labelling.

### What are eco-labels?

An eco-label is a seal or logo indicating that a product has met a set of environmental or social standards. Germany was the first country to develop an eco-label; the Blue Angel label was created in 1977 to enable the positive ecological features of products and services to be labelled on a voluntary basis. Over 4,000 products are currently entitled to carry the Blue Angel. Eco-labels communicate to consumers the environmental attributes of the product including production standards. Some labels take into account the life cycle impacts of the product as part of the assessment required for their certification. With the exception of some obligatory labels (i.e. energy and water efficiency) most labels are considered voluntary; however, market competition and requirements of importers make eco-labels mandatory in some cases.

Some of the labels and standards described in this paper will be familiar because they are displayed on products that are imported into New Zealand. Others are used by New Zealand exporters because they are required by overseas trading partners or retailers. Some eco-labels, including labels developed in New Zealand, are used by New Zealand exporters because they are perceived to be attractive in the context of their business ethics rather than required by overseas customers.

### Types of eco-label

Worldwide, there are numerous labelling programmes, developed by businesses, government agencies and non-governmental organisations. Each label has its own criteria that products need to meet in order to be certified.

The International Organisation for Standardisation (ISO) has identified and developed standards for three broad types of voluntary labels<sup>1</sup>, with eco-labelling fitting under the Type I designation:

- Type I (ISO 14 024) – a voluntary, multiple-criteria-based, third-party programme that awards a licence that authorises the use of environmental labels on products indicating overall environmental preferability of a product within a particular product category based on life-cycle considerations
- Type II (ISO 14 021) – informative environmental self-declaration claims
- Type III (ISO/TR 14 025) – voluntary programmes that provide quantified environmental data of a product, under pre-set categories of parameters set by a qualified third party and based on life cycle assessment, and verified by that or another qualified third party.

### Categories of eco-label

The ISO grouping for label types is very broad and it does not provide clear information on the characteristics of the labels. There are more than 100 eco-labels for food and beverage alone. These range from strictly regulated labels verified by an independent third party to self-declared labels created by the company using them.

**Comparative labels** – take a given product, such as a refrigerator, and show how efficient that product is in comparison with other similar products. Normally A or A\* is the most efficient level of the scale and G is the worst. To qualify for the label, products must meet efficiency standards, e.g. for energy or water use, that are generally administered by a national authority. These labels are obligatory for many energy-using products in the European Union and North America.

New Zealand – the Energy Efficiency and Conservation Authority (EECA) has recently introduced *Energy Star* based on the USA label.

Examples – *Energy Star* (USA), the *Fuel Consumption Label* (Australia), and the *Greenhouse Friendly Label* (Australia). The UK is developing a label for comparing the environmental performance of cars.

<sup>1</sup> International Organisation for Standardisation (2002). The ISO 14000 Family of International Standards - 2002 edition. Geneva, ISO. <http://www.iso.org/iso/en/prods-services/otherpubs/iso14000/index.html>

**Production labels** – assess the method of production such as the various organic labels used in areas of food production. Organic labels indicate how food has been produced and these labels are generally legally established and set standards for the methods used to control pests and for the treatment of livestock. Most organic labels exclude products from genetically modified crops. Organic labels are also applied to textile production and some personal care products. Some production labels are sector-specific (such as for textiles) and may extend to how the company is managed and service provision (such as for labelling of ‘green hotels’). Environmental management system (EMS) standards (i.e. *ISO 14001*) however, do not indicate that the product meets an environmental standard but only refer to the management practices of the company.

Examples – *Dolphin Friendly* (fishery practices that do not harm dolphins; used in Canada, Europe, UK, USA), *Salmon Safe* (indicates that farm production processes do not release discharges harmful to salmon; used in the USA), *Soil Association* (certifies food as organic in the UK), *NASAA Certified Organic* (Australia and South-East Asia), *ISO 14001*, *EMAS* and *Enviro-Mark* (worldwide EMS standards), *Green Globe* (worldwide label for visitor accommodation and tourism providers).

New Zealand – *BioGro* (an approved third-party agency with the New Zealand Food Safety Authority accredited by the International Federation of Organic Agriculture Movements), *AgriQuality* and *OrganicFarmNZ* (accredited organic labels operating in NZ), *Demeter* (indicates production according to the biodynamic principles of Rudolph Steiner), *Sustainable Wine New Zealand* (applies environmental management criteria to grape production in vineyards and processing in wineries). *Enviro-Mark@NZ* and *Green Globe* are available in New Zealand.

**End-of-life labels** – focus on a particular issue such as recycled content or the ability to recover or recycle resources at the end of life of a product (such as packaging, electronic and electrical products, and cars). Labels for offsetting carbon emissions indicate that carbon dioxide emissions due to energy consumption have been reduced through energy efficiency practices or through purchasing so-called ‘green energy’. Remaining emissions are offset through investment in forest regeneration and/or alternative-energy projects.

Examples – labelling of paper to indicate the recycled content, the Mobius loop (triangular recycling symbol) that indicates that the packaging or product is recyclable, *Gruener Punkt* (Germany) or *Green Dot* (North America) indicates that the producer has paid for the recovery of the packaging, *TCO’99* (Sweden), *IT Eco Declaration* (Denmark, Norway, Sweden), *PC Green Label* (Japan) and the self-declared *EIZO Eco Products 2002* (USA) are electronic product environmental labels that include recycling criteria. *Greenguard* is a certification for low-emission products and *CarbonNeutral* and *Climate Care* labels indicate that carbon dioxide emissions associated with production and distribution have been offset.

New Zealand – has adopted much of the international labeling to indicate that packaging and products are recyclable, and the recent *Packaging Accord* is developing voluntary standards for packaging and its recovery. *CarboNZero* is a label for offsetting carbon dioxide emissions through the restoration of indigenous forest on marginal agricultural land that has been taken out of production.

**Source or origin labels** – are concerned with sustainable resource management and the traceability or chain-of-custody for products, such as paper made from wood harvested from sustainably-managed forests. Some of these labels have been developed as a result of concerns about rainforest destruction, illegal harvesting of hardwoods, loss of biodiversity in tropical zones, and impacts on marine conservation. Some eco-labels are endorsed by a regional, local or sector-based organisation and by association carry the values of that region, locality or industry cluster. Mandatory place-of-origin labels for certain consumer goods such as shoes and clothes are currently investigated in European Union, where origin labels have so far been voluntary. In the recently published Food Industry Sustainability Strategy, the UK government promises that it “will press for EU labelling rules to be changed to extend origin marking”<sup>2</sup>s

Examples include *Forest Stewardship Council*, *Marine Stewardship Council Certified Seal of Approval*, *Tropical Timber Trust*, *Pan-European Forestry Certification*, *Australian Forestry Standard* (Australia).

New Zealand – members of the New Zealand Imported Tropical Timber Group must abide by a charter to ensure that imported tropical timber is sourced from forests certified as sustainably managed.

<sup>2</sup> Department for the Environment Food and Rural Affairs (2006). Food Industry Sustainability Strategy. DEFRA, London.

**Comprehensive labels** – are generally based on life cycle assessments and attempt to evaluate the overall environmental impact of a product or service against a set of comprehensive pre-established criteria. Because of stringent criteria, comprehensive labels enjoy high credibility but can also have a slow uptake due to lengthy procedures for selecting priority product groups and developing, agreeing and updating criteria. European experience shows that comprehensive labels can be restricted to the top 10–30% of products in a product group<sup>3</sup>. A significant challenge is the limited number of product groups that they cover. For example, Blue Angel, which was the first eco-labelling system in the world, covers about 80 product categories (though admittedly over 4,000 individual products are certified).

Examples – *Blue Angel* (Germany), *Nordic Swan* (Denmark, Finland, Norway, Sweden), *Eco-Flower* (European Union), *NF Environment* (France), *Green Seal* (USA), *Environmental Choice* (Canada), *Eco Mark* (Japan), *Green Label* (Hong Kong), *Good Environmental Choice* (Australia).

New Zealand – *Environmental Choice New Zealand* is owned by the New Zealand Government and follows similar rigorous life-cycle assessments; criteria have been developed for 30 product groups. Another label that is increasingly used is *Green Tick™*, which recognises both business practices and product qualities.

**Other labels** – are social and ‘wider world’ labels (which primarily address specific ethical or environmental issues associated with the places where products are sourced). These are concerned with the behaviour of traders (offering a fair price and payment conditions for the product) and the behaviour of producers (minimum standards for the treatment of workers (concerned with child labour, forced labour, working hours and conditions), not harming indigenous peoples (health and safety, and cultural traditions). Some of these labels also cover environmental issues (such as ‘bird friendly’).

Examples – *Fairtrade*, *Rugmark*, *Care & Fair*, *STEP Foundation*, *Eco-Text Standard 100*, *Transfair USA*, and *Cruelty Free*.

There are no known New Zealand labels of this nature, though products bearing some of the labels given as examples are available on products sold in New Zealand.

### Eco O.K. or Greenwash

In developed countries, there is a degree of government control over labels especially for health claims or the use of terms such as ‘organic’. Certified labels are developed through an independent multi-stakeholder process and compliance with the criteria is checked by third-party-accredited auditors. However, many commonly used terms or claims, such as ‘environmentally-friendly’, ‘biodegradable’, ‘ozone-friendly’, and ‘non-toxic’, are in fact meaningless. For example ‘CFC-free’ is misleading as the use of chloro-fluoro-carbons has been banned under the Montreal Protocol since 1993.

Other labels stem from voluntary ‘codes of conduct’ adopted by manufacturers. These may be well intentioned, but in the absence of independent checks for compliance there is no way of knowing if manufacturers have actually abided by the code. It is not always clear what these labels mean, how independent they are, and where the boundary lies between objective information and advertising. While it requires more effort and financial resources, independent third-party verification is critical to stakeholder scrutiny of the product and gives more value to the claim made. Consumers generally prefer eco-labelling schemes that include independent third-party certification because they provide confidence that specified criteria are adequately met, following verifiable and impartial certification procedures.

### Eco-labels as trade barriers

There are concerns that eco-labelling requirements increase the cost of international trade especially for less developed countries, due to their potential for misuse as technical trade barriers. For some voluntary eco-labels, the criteria are so narrow that they mandate a particular technology and effectively become a *de facto* standard that small- and medium-size producers or producers from developing countries find hard to meet. The opposition from developing countries is based primarily on the concern that process- or production-method-based labelling could limit their market access especially when based upon environmental and/or social standards developed in industrialised countries. Small- and medium-size enterprises, even those based in developed countries such as New Zealand, lack (financial) resources as well as knowledge for implementing such standards, and end up regarding them as trade barriers as well. While there might be some isolated cases of ‘green protectionism’, the evidence remains inconclusive since trade data traditionally collected by countries does not cover any specifications on labelling, thus impact on trade flows cannot be determined.

<sup>3</sup> Allison C and Carter A (2000). Study on different types of Environmental Labelling (ISO Type II and III Labels): Proposal for an Environmental Labelling Strategy. Report prepared for DG Environment, European Commission. Oxford, ERM.

Discussions on trade and eco-labelling take place at the World Trade Organisation (WTO). The Committee on Technical Barriers to Trade can impose rules on governments but not on companies' supply chain requirements or purchasing preferences. The Committee on Trade and Environment at WTO also looks into eco-labelling, even though it has no power to regulate.

### Effectiveness of eco-labels

Eco-labelling schemes are proliferating, yet there has been little research to demonstrate the environmental, social and economic benefits of eco-labelling and to identify all those who benefit from them. There is no independent body of data on the effectiveness of eco-labelling, not even for the widely used high-profile labels, that would allow for analysis and objective comparisons. Recent data about price premiums shows that organic products in Europe command an average price premium of between 15–25%, the premium for organic eggs in Germany can go as high as 274%<sup>4</sup>.

Even if consumers are willing to pay more for responsibly produced goods, there is concern about who receives the benefits along the supply chain (producer, exporter/importer or retailer)<sup>5</sup>. However, access to markets and the predictability of that access may be improved for products with eco-labels.

The wide range of eco-labels that exist today has, in fact, increased confusion among consumers and potential users faced with numerous choices without having the ability or knowledge to differentiate. A particular challenge for producers is the choice of label when there are several of the same type, or when they export to markets where different labels are popular (this is often the case). To further complicate the picture, producers contemplating adoption of eco-labels usually have to bear the entire financial burden of employing more responsible practices, including certification costs which can be very high depending on the stringency of the eco-label. The uptake of eco-label schemes can be very slow in such cases, thus limiting the success of the scheme. However, eco-label schemes do not operate in a vacuum and their effectiveness can be increased if other forces come into action (i.e. sustainable procurement strategies of large corporations and governments, new environmental and social regulations, long-term supply contracts).

### Future trends and research needs

The most recent report on the state of the environment in Europe indicates that 70% of Europeans want decision makers to give equal weight to environmental, economic and social policies and that they are in favour of subsidies encouraging sustainable practices and efficient technologies. As the World Trade Organisation demands reduction in these subsidies, they may be replaced by requirements for products to carry labels or meet standards indicating responsible sourcing and production methods. Corporate social responsibility agenda to which many companies subscribe has helped spread such requirements faster than government policies and interventions.

Adoption of responsible public procurement by governments around the world has taken place relatively recently and its effect on suppliers and trade has not been quantified. The combined spending power of governments around the world has the potential to transform the market where social, environmental and ethical criteria are included in government purchasing decisions.

**Research is needed to better understand the requirements being placed on New Zealand exporters by overseas traders and retailers. A consistent methodology is needed for categorising and comparing labels. Trade statistics that differentiate between labelled and non-labelled products need to be collected. Indicators and monitoring are needed to assess the social, environmental and economic benefits of eco-labels especially for exporters adopting these requirements.**

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<sup>4</sup> United Nations Conference on Trade and Environment (2006). Trade and Environment Review 2006. Geneva, United Nations.

<sup>5</sup> Rotherham T (2005). The Trade and Environmental Effects of Eco-labels: Assessment and Response. Nairobi/Paris, United Nations Environment Program.