

ECOLABELS

LEARNING OBJECTIVES

Students learn to identify some commonly used sustainability labeling schemes and understand how these schemes are used to promote sustainability in business by helping consumers make informed decisions. Difference between ecolabels and other sustainability tools, like management systems is also discussed.

We'll be looking for answers to these questions:

- What is the basic ideology of labeling schemes?
- What are examples of commonly used labeling schemes?
- What is the Global ecolabeling network?

ARRANGEMENTS

This virtual learning nugget is divided into three sections

- Section 1: Introduction to the ideology of ecolabels
- Section 2: Examples of labeling schemes
- Section 3: Ecolabels versus other sustainability management tools

1 INTRODUCTION TO THE IDEOLOGY OF ECOLABELS:

In this section, we are looking for answers to the following question:

- What is the ideology of labeling schemes?

Section 1: Theory

The theory part of this section includes reading material and websites to visit. Study these, then move on to the assignments.

- Reading material: Introduction to the Ideology of Ecolabels
- Website: United Nations: Sustainable Development Goals

1. Introduction to the Ideology of Ecolabeling

The ultimate goal of any business is to add value to the stakeholders - to make money. This added value is obtained through providing consumers with a product they will buy - choose over the alternatives - and setting the selling price on a level that will not only cover the cost of production, marketing, etc., but also bring return on the investment made. Often this is achieved by minimizing the production and other costs so the product competes on the market as the cheaper alternative. In terms of sustainability and sustainable development, this has the trouble of not including the environmental costs (i.e. the environmental damage caused and natural resources used) and social impacts of production to these costs.

Let us consider the concept of value for a while. How do you personally make the decision on what to buy? You have a reason to be in the store – perhaps you're low on coffee (or tea, or whatever you start your morning with) and have the need to buy more. What are the factors that drive your selection? What motivates the storeowner to stock the types of coffee they have available? Surely, you've heard about the law of supply and demand.

The fact that your coffee is stocked on the shelves of the store you go to is a result of several processes. A demand for that particular brand of coffee needs to exist. The selling price must be set on a level that ensures continuation of this demand yet leaving the value chain in life cycle stages of coffee intact.

According to Max Borders, the founder of Social Evolution, things have **value** because individuals **want** them. When making the decision to offer your brand of coffee, the storekeeper has defined the value of that particular coffee through how much they should be paid to be willing to part with it. The economists talk about “willingness to accept compensation” (WTAC or WTC). You, on the other hand, have an idea of how much you are willing to pay for that brand of coffee, before you start looking for alternatives, so there is a “willingness to pay” (WTP). When these two meet, it is possible for the coffee to change owners. On a larger scale, this is how markets for a certain product are formed and all these individual markets combined for the economic system in place. In essence, **economic system has the aim of trying to use resources as efficiently as possible**. If you are interested in reading more about this topic, I recommend reading “Introduction to Environmental Economics” by Nick Hanley; Jason Shogren; Ben White.

So, now we’ve established the fact that both parties in a trade event have their own idea of the value of the item under transaction. It is fairly obvious that the storekeeper looks to maximize the amount of money gained by selling products. This means that it makes sense to them to get these at a lowest possible cost, which, in turn, means they should be produced at the lowest possible cost. This has led to a situation where coffee (and a magnitude of other products) are being produced in a very unsustainable manner. Environmental impacts are not taken into account when calculating costs, so considering them in value formation takes a bit more explaining.

The economic system mentioned is reliant on the **services** and **values** (ecosystem services, natural resources, other values) provided by the **environmental system**. The environmental system also receives all the waste and emissions caused by production, so it really is the foundation for the economic system.

The trouble in **incorporating** environmental concerns, or costs/ profits, into business is the **lack of a common currency**. So, when you are choosing your coffee, you don’t really know how much water or energy has been used to produce it, or how much greenhouse gas and other emissions caused. You are not really aware of how poorly the workers on the coffee field are treated and if pesticides or other chemical residues are left in the soil and water systems due to the coffee crops.

If you did, would this change your WTP for your coffee? Would you consider alternatives?

Increasing awareness of environmental issues has led to an increased demand for sustainable products. Sustainability in production can be achieved through various activities during production and can be targeted at the production itself or the product qualities. In figure 1, you’ll notice an oval of “TOOLS” – these are examples of the different ways of ensuring more sustainable production and life cycle of products: CT (clean technologies), EMSs (Environmental management systems), regulation that forces production to certain set emission levels and circular economy that aims at maintaining and increasing value of natural resources used. All of these make coffee production more sustainable on their part, but they don’t really help in guiding consumer choice. For this purpose various product based labeling schemes have been developed.

Section 1: Assignment

Visit the UN Sustainable Development Goals website and study goal 12 "Ensure sustainable consumption and production patterns". Choose an example product from your home and list raw materials and resources used in the earlier stages of its life cycle. Choose ONE of these resources and draft a **diagram** of the interaction between the economic and environmental systems in case of this example resource (see figure 1 in the reading material).

Post a brief introduction of the example product (what it is and what it is used for), raw material and resource listing and the diagram on the discussion forum. Add your opinion on how well this product example fulfills UN SDG 12.

Read postings by other students and comment on at least three focusing on similarities and differences to the example you've posted.

2 EXAMPLES OF LABELING SCHEMES

In this section, we are looking for answers to the following questions:

- What is the Global ecolabeling network?
- What are examples of commonly used labeling schemes?

Section 2: Theory

The theory part of this section includes reading material and websites to visit. Study these before moving on to the assignments of this section.

- Reading Material: Examples of Labeling Schemes
- Website: Global Ecolabeling Network
- Website: ISO Environmental labels and declarations

2. Examples of Labeling Schemes

According to the Global Ecolabeling Network: "Ecolabelling is a voluntary method of **environmental performance certification** and labelling that is practiced around the world. An ecolabel **identifies products or services proven environmentally preferable** overall, within a specific product or service category." In simple terms ecolabels help consumers decide between similar products by providing them with information of which alternative is preferable in terms of environmental impacts.

Remember valuation and the aspects you consider when making a decision on which brand of coffee to buy? By choosing a labeled alternative you are, in a small way, increasing the demand for these environmentally preferable and more sustainable products.

According to the International Organization for Standardization (ISO): "Environmental labels and declarations provide information about a product or service in terms of its **overall environmental character**, a specific environmental aspect, or any number of aspects. Purchasers and potential purchasers **can use this information in choosing** the products or services they desire based on environmental, as well as other, considerations." Ecolabeling schemes can be **product based, single attribute labels**, or more **general ones**. You coffee, for example, might be labeled with the UTZ label, which is a programme for sustainable coffee. The computer you are using to read this may hold the Energy Star label for energy efficient appliances or if you've printed this text, the paper you used might be FSC labeled.

Labeling schemes can generally be divided to three types:

1. multi-attribute labels developed by a third party;
2. single-attribute labels developed by the producer;
3. full life-cycle assessment based eco-labels

General principles of ecolabeling schemes are given in international standards, e.g. in ISO 14020 an introduction to which can be found on the ISO website.

Examples of commonly used ecolabels include the already mentioned UTZ, FSC and Energy Star that all represent single attribute labels. Examples of more general labeling schemes are the EU ecolabel and the Nordic Swan.

Section 2: Assignment

Now that you are familiar with the global scene of ecolabels and some example labels, let's focus on your personal experiences. Find in your home (or a local store) a product that is labeled with some ecolabel. Introduce this label on the discussion forum including information on

- The aim of the label and who it is awarded by
- Product category, if there is one
- Awarding criteria
- Your opinion on how well this label serves it's purpose

Read label introductions by other students and comment on at least three focusing on the characteristics of the label presented.

3 ECOLABLES VERSUS OTHER SUSTAINABILITY MANAGEMENT TOOLS

In this section, we are looking for answers to the following questions:

- What sustainability tools are available for organizations?
- What is the role of ecolabels in this?

Section 3: Theory

The theory part of this section consists of:

- Reading material: Ecolabels versus other sustainability management tools (ppt file)

3. Ecolabels versus other sustainability management tools

Ecolabels are only one tool used when aiming for a more sustainable world. Voluntary production based sustainability tools include the use on **clean technologies** and various **environmental management tools**, such as environmental management systems (EMS) based on a standard. **Circular economy** is an economic model that aims at maintaining value of natural resources in all stages of product or service life cycle. Natural resources can be biological (bioeconomy) or geological resources, water (blue circular economy), air or energy.

Schemes to calculate **ecological footprints** of products have also been developed, surely you have already read about **carbon footprint** or **water footprint**. Clean technologies involve the use of more efficient technologies in production, choosing more sustainable raw materials and forms of energy throughout the production. An **EMS** aims at providing organizations with a systematic framework to

protect the environment and respond to changing environmental conditions in balance with socio-economic needs. Probably the most commonly used EMS model is the one based on the ISO 14001 standard.

How do ecolabels relate to all this? Ecolabeling schemes are designed to mark a product in a simple, easily recognizable way that informs consumers about how sustainably this particular product was produced. The danger is irresponsible use of self-claim labels that give consumers a false idea of sustainability. In effect, consumers need to **understand** the ideology of ecolabels and have an understanding of the overall **awarding principles** of labels they look for in a product so that they are not misled into thinking their choices promote sustainability when there is no evidence of a product being sustainably produced. The same, in fact, applies to the other sustainability tools. It is quite common to find claims such as “certified product” or “ISO 14001 approved product” that indicate commitment to a systematic approach in managing environmental impacts of production, when all they really indicate is that this management system standard was used and possibly evaluated by an external auditing body, when making this product.

Ergo: in order for ecolabeling schemes to promote sustainability, they need to be understood by those who seek to use them in their products and especially by consumers who base their consumer behavior on these labels.

Section 3: Assignment

Take the quiz to evaluate your learning on the topics of this learning nugget. Once you’ve completed the quiz, you have completed the learning nugget on ecolables.