

SUSTAINABLE INDUSTRIES

What's next for ecolabels?

Sara Stroud

May 25, 2011



Photo credit: Good Guide

Earlier this month, Sustainable Industries hosted a webinar focusing on what's in store for the world of ecolabels and other certifications. While there wasn't enough time to answer all our audience questions during the webinar, our panelists – Anastasia O'Rourke, co-creator of the Ecolabel Index, and Bill Pease, chief scientist at GoodGuide – took the time follow up on attendees' lingering questions. Here's what they had to say:

It appears that a majority of ecolabels are consumer focused. What filterable, detailed, business-to-business and industrial ecolabels are present and how are they evolving?

Anastasia O'Rourke: Actually there are many labels with standards (sets of criteria) that are focused on industrial products sold to other companies. In fact I see the most active growth in interest in ecolabels in B2B transactions, rather than with consumers. Ecolabels are also being increasingly used in institutional purchasing specifications in order to meet policies for green purchasing, notably in governmental agencies, and by large non-profit institutions such as universities and hospitals.

Companies are also requiring that their suppliers also meet various ecolabels or other green standards in order to improve the environmental performance of their own products, back up their green claims and to reduce risks in their supply chains. We are tracking many of these labels and standards through Ecolabel Index, and you can also look at labelling programs such as Greenseal and Ecologo, where many of their standards are for B2B products, such as industrial cleaning supplies.

Do you think LCA-based labels will be the primary winners in the shakeout? And do you think a universal ecolabel is feasible?

AO: I think the "winners" will be those labels, LCA-based or hotspot-focused, that are able to credibly scale up their certification systems, and that respond to a market need. It currently varies by market how popular LCA-type approaches are, currently they have greater traction in Europe and increasingly with institutional purchasers.

I don't see a universal label on the horizon anytime soon because there is no entity that has the authority to bring all the existing labels under one umbrella and ensure that no new ones are created outside of that process. I do think there will be greater convergence between labels, and some will gain in prominence while others fade in importance. However there will always be entrepreneurship and no single organization can control for that worldwide. Therefore I think the goal should not be "one label" but rather ensuring that the labels on the market (both now and in the future) are high quality, connected to each other, and used broadly.

Can you say more about what we can expect to see with ecolabels in the clean tech sector?

AO: Cleantech is a very diverse collection of technologies and companies that span many different sectors. It's also changing quite fast, so it's no wonder that there are no set standards in many cases. Both the technology and the markets are still evolving, as is the understanding of exactly what environmental benefits are being created.

I think ecolabels make sense in some cleantech markets and not others. I would see a role for an ecolabel or standard where the environmental benefits being created by the cleantech product are a primary selling

point, and therefore should be substantiated. In addition, I can imagine an ecolabel being useful in the cases where the environmental benefits being created are not altogether clear, such as with biofuels, and where consensus on how to measure environmental performance is dearly needed.

As the cleantech industry grows and more and more products are launched, I think we will see companies looking towards ecolabels and standards to differentiate their products and for customers to demand greater substantiation of the benefits being promised. This is a potential opportunity for existing labels to expand their scope and create new standards, or for new labeling organizations to get created.

In what ways are social equity criteria being addressed by ecolabels? How do you measure social impacts of products and do you have a process of verification for social impacts?

Bill Pease: Social equity is a key component of relatively few ecolabeling systems, Fair Trade being the most widely recognized. Most ecolabeling systems are focused on environmental performance criteria only. The salience of social issues to consumers varies widely by product category – it is considered important for commodities like coffee or chocolate or products like apparel, but not for household chemical or personal care products, for example.

Because of the paucity of data on product-level impacts, GoodGuide generally relies on a manufacturing company's social performance as a surrogate for the impacts of its products. In our assessment of company-level performance, we consider

corporate governance and consumer, worker and community issues. You can see the full details here.

In some cases, we are able to develop category-specific social performance measures that go deeper than standard corporate social responsibility metrics (e.g., fair wage practices of apparel companies or conflict mineral policies of cell phone manufacturers), but this still does not get to product-level impacts.

I'm all for giving consumers the tools they need to make environmental-, safety- and health-oriented purchasing decisions, but how do we hold the aggregators accountable to maintaining a high bar given that there is wide variability in rigor between different certification programs?

BP: Consumer decisions about whether to trust an aggregator like GoodGuide or even a third-party certifier itself are complex, shaped by the brand recognition the aggregator or certifier has been able to build, the degree to which the aggregator/certifier discloses its methodologies and business practices that may impact its impartiality. When GoodGuide looks at certifiers active in a product category, we attempt to rate the relative stringency and coverage of each in determining how much credit to give to their certification. Here's an example of how we do this.

Note that the standards we use to judge aggregators or certifiers need to be considered in context. Most of the information consumers receive are manufacturer self-claims about a product—

relatively weak certification systems generate a more correct signal about how a product performs on some environmental dimension than product advertising/marketing.

Any ideas for how to implement crowdsourcing toward sustainable goods?

BP: Crowds are a great source of consumer feedback. Does the product work well? Would you recommend it or avoid it? Crowd sourcing can also generate some of the kinds of information consumers need to make better decisions, but it is not a panacea for all the information challenges we have in rating products on the market. For example, users can provide information about the UPC codes of products they are scanning, whether product X is available in retail outlet Y, or send images of product labels to a service like GoodGuide for processing. There are limits, however, if you want to create scientifically credible content about products – crowds are not a great source for linking ingredient names to chemical hazards, or characterizing the environmental performance of a company in regards to its resource use or pollution impacts.