

OPPORTUNITIES AND CRITERIA FOR A SUSTAINABILITY LABEL



TAB-FOKUS NO. 6 REGARDING REPORT NO. 163

FEBRUARY 2015

SUMMARY

- › In Germany, there is a confusing plethora of more than 1,000 product labels referring to health, sustainability, regionality, environmental protection, fair trade or similar aspects. In everyday practice, the orientation of consumers towards sustainability criteria implies a major information effort.
- › An overall sustainability label shall provide consumers with reliable assistance in decision-making at the point of sale regarding the selection of sustainable products (and services) by communicating their sustainability characteristics in a credible, quick and understandable manner.
- › Such a label could both strengthen consumer protection and promote sustainability of consumption and production. The question of whether a sustainability label is able to show these intended effects depends on all market players involved. Acceptance by producers and consumers' confidence are indispensable prerequisites.
- › However, it is a very special thematic, methodical and institutional challenge to integrate the complex concept of sustainability into a valid and transparent process of sustainability assessment and to implement a viable organizational model for an overall sustainability label.

WHAT IS INVOLVED

Meanwhile, many consumers have developed an awareness of the fact that a **reflective consumer behaviour** can positively influence the impact of products and production processes with regard to sustainability aspects. For consumers, however, an orientation of consumer behaviour towards ecological and social criteria in everyday practice implies an **information effort** which often is unmanageable.

There is a debate on whether a comprehensive label taking into consideration as many sustainability criteria as possible could provide a remedy. It is requested that consumers shall be able to recognize unambiguously, quickly and reliably

what is actually behind a product or service. For this reason, the development of a »state-guaranteed« sustainability label or – if necessary – the further development of existing labels shall be pushed.

This suggestion made by some consumerists and associations, however, partly is regarded rather sceptically by other organizations and experts. And, so far, even politics are still reluctant with regard to the **claim for an overall sustainability label being introduced**, as **numerous obstacles** are observed. In particular, there is a need for discussion on whether the state can actually »guarantee« the accuracy of information of a label with regard to product quality and safety as well as that of the globalized value-added chains from an ecological and social point of view. Moreover, the depth of intervention, costs and administrative expenses of a possible label as well as the different options regarding its implementation still remain totally undetermined.

The overall »objective« of a sustainability label is considered to be a **contribution to a more sustainable society**. For this, it is a precondition that the label meets the requirements of the market players on both the demand and supply sides, that it achieves a high degree of market penetration and that it provides sufficient incentives for the development of more sustainable products and services.

In practice, however, implementation proves to be rather difficult, as financial and organizational restrictions as well as different and conflicting interests of the players involved are counteracting the realization of such a label and are calling for compromises.

CLIENT

Committee on Education, Research and
Technology Assessment
+49 30 227-32861
bildungundforschung@bundestag.de

TOPIC INITIATIVE

Committee on Food, Agriculture and
Consumer Protection

Thus, according to many experts, the objective of a binding sustainability label is hard to achieve, particularly because there is some dispute about what such a label should represent and which criteria it should comply with.

CHALLENGES

Specific challenges have to be met for establishing an overall sustainability label. Thus, methods and procedures have to be developed ensuring that these requirements can be measured and compared. Moreover, for an overall sustainability label aiming at providing consumers with a reliable decision-making aid with regard to goods as diverse as food, children's toys, cars or holiday trips, it is particularly difficult to evaluate such heterogeneous products or services in a consistent way and to ensure a comparable level of requirements for awarding the label.

In order to achieve a **high degree of market penetration** even for complex services and products, it might be necessary to make sustainability assessment more flexible. However, the more sustainability assessment focuses on impacts, components and life-cycle phases to be assessed in a practicable way, the more it has to be made sure that the claim of informing consumers about sustainability characteristics of products and services is still met.

In case of a more flexible selection of indicators and criteria, it will be less transparent for consumers on which level of requirements the awarding of the label is based and hence the orientation function of the label as well as its credibility could be jeopardized. For this reason, it will be even more important to maintain a **credible level of requirements** as well as to communicate the evaluation approach as transparently as possible.

Due to the necessity of determining indicators and criteria for sustainability assessment service-specifically or product-specifically, the awarding of sector-specific sustainability labels does not seem to be recommendable. The multitude, diversity and complexity of labels would not be corrected and their recognition factor as well as their orientation function for consumers at the point of sale would be reduced. For this reason, many experts are of the opinion that it is expedient to establish an overall sustainability label for which **product-specific assessments would be made in compliance with a**

consistent overall concept of sustainability and a label with uniform design and joint administration would be awarded.

DESIGN OF AN OVERALL SUSTAINABILITY LABEL

Due to its manifold methodical and practical difficulties, a product-specific sustainability assessment covering the entire life cycle probably is most likely to be realized for goods coming from manageable and stable value-added chains. In order to achieve a high degree of market penetration and visibility for consumers for a sustainability label it may be required

to lessen the claim of the sustainability assessment to be as complete as possible. For this, the **objectives** to be primarily achieved by means of the sustainability label **shall be formulated in a strategic approach**. On this basis, **various options** could be used to allow the sustainability assessment of a larger number of services and products.

Weighting and compensation: For awarding the label, a first option would be to distinguish between compulsory minimum criteria and optional additional criteria only some of which have to be met. Thus, a certain flexibility could be achieved with regard to regional particularities or missing data. However, sustainability assessment hence would be more complex and less transparent for consumers.

PRODUCT RELATED SUSTAINABILITY REQUIREMENTS

Ecological dimension

- > protection of the climate and of the environment
- > nature conservation and animal protection
- > consumption of resources and energy
- > use of renewable energy sources

Social dimension

- > ILO core labour standards
- > health protection
- > social security
- > support of social and charitable projects

Economic dimension

- > life-cycle costs
- > quality/suitability for use
- > regionality
- > fair international trade relations
- > payment of minimum wages

DEVELOPMENT BASED ON ALREADY EXISTING LABEL

Strengths

- > using the acceptance of the established label
»Blauer Engel«
- > use of existing structures, routines and mechanisms
- > facilitated market introduction by temporary co-branding with the »Blauer Engel«

Weaknesses

- > issue of interference with existing labelling systems
- > need for interest in cooperation of existing labelling systems
- > adaptation of existing award principles and contracts

Hot-spot approach: Secondly, sustainability assessment could be better tailored to impact dimensions particularly relevant for consumers instead of comprehensively operationalizing sustainability both in a product- and service-related way. For assessment, protection objectives covering several product groups would be used as starting point and checklist in order to identify the critical aspects (hot spots) of a product or a service.

Product group selection: Thirdly, it could be possible to certify product groups which are of particular relevance for consumers and for sustainable development. This applies to product groups with high sales figures or serious sustainability impacts for which, however, existing innovation potentials are unused so far and which can develop a strong steering effect regarding general consumer behaviour, because they are mass products or attractive products with a symbolic value or products which are characterized by a strong interest on the part of potential holders of a label.

Best-in-class principle: Fourthly, sustainability assessment could be made more flexible applying the best-in-class principle. For this, services and products would not be evaluated according to absolutely defined criteria, but with regard to their relative performance compared to other products of their reference group.

LEGAL FRAMEWORK CONDITIONS

Neither from a constitutional nor from a European legal perspective there are provisions contradicting the introduction of an overall sustainability label. This label should be understood as a voluntary cross-product and cross-dimensional label awarded by a neutral authority in terms of a quality label comprising several criteria from the field of sustainability and covering the entire life cycle. For this purpose, it would be possible either to further develop the

existing »Blauer Engel« or to introduce a new overall sustainability label. For the introduction of such a new label, the adoption of a **Federal Act is required**. Moreover, there are **requirements with regard to international trade law** which have to be observed.

Such an overall sustainability label can be administered by the state by stipulating compulsory award criteria based on public law and by ensuring transparency both of the award criteria and of the labelled products. Moreover, it could be provided that controls are taking place for the awarding of the label and subsequently which are carried out by the state itself or by third

parties provided with sovereign rights exercising this function on behalf of the state. Furthermore, as for the federal biolabel, provisions governing penalties and fines for misuse of the label can be arranged for.

COMMUNICATION

The complex process of sustainability assessment cannot be communicated to the consumers solely by means of the label at the point of sale. This also requires **accompanying communication**

measures. For this purpose, i.a. Internet-based information could be useful providing consumers with background knowledge and allowing them to make their own weightings of assessment criteria or to filter sustainability assessments according to other aspects (e.g. according to regional products). The continuous communication of the achievements and impacts of a sustainability label for consumers and companies is another necessity.

Transparent information about the criteria on which the label is based is of major relevance. For this, it has to be taken into consideration that very often consumers have »unrealistic« expectations with regard to the sustainability characteristics of a product which are not necessarily compatible with market conditions. Against this background, but also due to the partly specific needs of different social

PROCESS RELATED SUSTAINABILITY REQUIREMENTS

- > voluntary nature of labelling
- > independence of label holders and of the entities awarding the label
- > ISO standards for eco-labelling
- > independent controls
- > transparency (setting of standards, awarding process, audits)
- > participation
- > sanctions mechanisms
- > quick definition of award principles
- > updating of award requirements
- > no market discrimination
- > percentage of requirements for labelling
- > locally adapted indicators

NEW DEVELOPMENT OF A SUSTAINABILITY LABEL

Strengths

- > clear orientation for market players, international pioneering role
- > demand-oriented and tailored definition of the institutional framework
- > no need for coordination with other labelling systems

Weaknesses

- > difficult positioning of a new label
- > costs for system setup; market introduction and dissemination of the new label
- > short-term increase of label diversity and possible excessive demands on consumers

environments, there is a need for communication which is oriented towards the respective target group.

Moreover, due to the big methodical and institutional challenges involved as well as to the numerous uncertainties concerning expectations of market players with regard to the content and form of sustainability labelling, the introduction of an overall sustainability label should be understood and conceived as a **multi-annual process of dialogue and learning** exploring the conceptual and methodical possibilities for implementing a sustainability assessment within the framework of a product label covering several product groups. This process should involve as many players as possible who are relevant for the market success of an overall sustainability label.

OUTLOOK

For a public initiative, a decision has to be made on **which political objectives** shall be achieved primarily by introducing an overall sustainability label. If the sustainability label – mainly as a **consumer policy measure** – is intended to provide consumers who are aware of sustainability issues with assistance for choosing particularly sustainable products, the scope of application should be restricted to mainly simple services and products. If, however, it shall mainly serve as a **sustainability policy instrument** with the objective of inducing companies to achieve improvements with regard to sustainability, the awarding of the label must be addressed in a broader sense in order to achieve a wider effect.

The broad range of tasks involved in the implementation of more sustainable production and consumption patterns as well as the conflicting objectives inherent in a sustainability label illustrate that an overall sustainability label cannot be the sole instrument and probably even not the central instrument for achieving a more sustainable consumption. In fact, its specific function mainly consists in the **provision of simplified and reliable information for consumers** in order to facilitate their **decision for more sustainable products**. For this purpose, information and orientation could be

TAB REPORT NO. 163

CHANCEN UND KRITERIEN EINES ALLGEMEINEN NACHHALTIGKEITSSIEGELS

CHRISTOPH REVERMANN, THOMAS PETERMANN, MAIK POETZSCH



WEBSITE OF THE PROJECT

www.tab-beim-bundestag.de/en/research/u10400.html

PROJECT MANAGER AND CONTACT

Dr. Christoph Revermann
+49 30 28491-109
revermann@tab-beim-bundestag.de

accompanied by **incentives for manufacturers, service providers and trade** in order to make their processes and products more sustainable.

A glance at the status quo of scientific analyses and political debates shows that the development of an overall sustainability label has lost momentum and response. However, it also can be observed that dealing with the subject so far has yielded sufficient and solid results both regarding methods and the assessment framework as well as concerning models for institutionalization and organization. It would be possible to fall back on these results and to use them as a basis, if a consensus regarding the implementation of an overall sustainability label could be reached. First of all, however, this would require a strong political impetus in order to place this topic on the agenda again.

The Office of Technology Assessment at the German Bundestag (TAB) is an independent scientific institution which advises the German Bundestag and its committees on questions of scientific and technological change. TAB has been operated by the Institute for Technology Assessment and Systems Analysis (ITAS) of the Karlsruhe Institute of Technology (KIT) since 1990. It has been cooperating with the Helmholtz Centre for Environmental Research – UFZ, the IZT – Institute for Futures Studies and Technology Assessment and VDI/VDE Innovation + Technik GmbH since September 2013. The Committee for Education, Research and Technology Assessment decides on TAB's work programme, which also includes subjects proposed by other parliamentary committees. The standing »TA Rapporteur Group« consists of one member from each of the parliamentary parties: Dr. Philipp Lengsfeld (CDU/CSU), René Röspel (SPD), Ralph Lenkert (Die Linke), and Harald Ebner (Bündnis 90/Die Grünen) and the Chairwoman of the Committee, Patricia Lips (CDU/CSU).