



# ECO-LABELLING

## THE CONCEPT & IMPLICATIONS

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# Eco-Labels

**Eco-labelling is a market tool** for identifying products that have met certain environmental or social standards or criteria.

**In some cases:** indicating and awarding environmentally-friendly products which, while increasing the desirability of developing countries products in the national and international markets, and thus potentially increasing their market accessibility (competitiveness) opportunities, improves their environmental efficiency throughout their life-cycle, preserving the quality of the environment and enhancing the sustainable use of natural resources.

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## Eco-Labels

Represent [voluntary], participatory, market-based and transparent economic instruments aiming at:

- Decreasing environmental impacts of products throughout their life-cycle,
- Promoting natural resource efficiency of industrial processes,
- Enabling consumers to make informed decisions based on products environmental preferability



## Background

- Eco-labeling entered mainstream environmental policy-making in 1977, when the German government established the Blue Angel programme.
- Since that time, eco-labels have become one of the more high-profile market-based tools for achieving environmental objectives.
- It has also run into criticism from those who claim that it may, in some cases, operate as an unjustified non-tariff barrier to trade.
- They can also be criticized because they are typically developed based on national/regional realities or priorities.



## Challenges

Economic development and specifically the process of trade liberalization in developing countries is increasingly associated with:

- Unsustainable exploitation of natural resources,
- Growing environmental impacts, and
- Lack or weakness of environmental measures and standards.



## Stakeholders

**stakeholders can contribute to the diffusion and the success of the eco-labelling as market instrument to promote environmentally friendly products.**

- **Industry representatives** can voluntarily apply for eco-labelling of products, being responsible of their compliance with environmental criteria, and launch them in the national and international markets;
- **Industrial designers** conceive and design products determining their environmental performances;
- **Government decision-makers** can substantially promote eco-labelling and support industry representatives' efforts with different kind of policies;
- **Local eco-labelling bodies** can improve their schemes and visibility;
- **Other stakeholders** involved in multi-stakeholders dialogue can help in keeping the attention on eco-labelling, support governments in its the promotion, and increase awareness of consumers;
- **Importers/buyers** can increase the international demand for eco-labelled products;
- **Eco-labelling bodies** can improve their cooperation with countries labelling-bodies and increase their accessibility of their scheme to developing countries.



## Other Stakeholders

- NGOs
- UN & International Organizations (UNCTAD, WTO, OECD, UNEP, UNIDO, ISO...etc.)
- Trade Unions

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## Eco-Labeling Programmes

- The Forest Stewardship Council (FSC);
- The Marine Stewardship Council (MSC);
- Germany's Blue Angel programme;
- Fair-trade Labeling Organizations International (FLO); and
- The International Federation of Organic Agriculture Movements (IFOAM).

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## Why Adopt Eco-Labels

- because it is mandatory! (i.e. to conform to regulations); and/or
- because there is an economic benefit.
  - the impact of eco-labels on profit margins; and
  - their impact on the predictability of future revenues.

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## Economic Incentives of Eco-Labeling

- Improved corporate reputation and positive brand impact;
- Strong corporate governance;
- Improved regulatory relationships;
- Risk mitigation and management (crisis avoidance, defense of existing markets, reduced risk of business disruption);
- Management of food safety risks;
- Competitive advantage;
- Access to new markets;
- Cost reductions (reduced employee turnover, lower chemical application costs/lower risk associated with chemical use, savings realized through reductions in water and electricity use and implementation of recycling programmes, lower insurance premiums, reduced cost of capital).

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## Undesirable Effects of often Eco-Labeling

Three problems deserve to be given attention:

- The lack of checks or balances in regard to the proliferation of eco-labels, including the lack of ways to harmonize existing and new ones.
- Disadvantages of Developing World.
- The cost of conformity assessment (often the most significant barrier for developing country producers), which is related to the proliferation of eco-labels (*Consumers may not be willing to pay higher prices for eco-labeled products, especially in less developed countries*).

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## Balancing Environmental & Trade Policies

There has been a failure to recognize that trade and environmental policies are means to an end. The underlying objective of both policy agendas must be the pursuit of balanced and sustainable development.

- Some barriers to trade that promote environmental protection should not necessarily be removed: not because environmental policy is more important than trade policy, but because **sustainable development requires a balance** between overlapping interests and, *in some circumstances, the relative advantages to the environment outweigh the relative disadvantages to the economy.*
- Some eco-labels that protect the environment at the expense of market access should not necessarily be developed: not because trade policy is more important than environmental policy, but because **sustainable development requires a balance** between overlapping interests and, *in some circumstances, the relative advantages to the economy outweigh the relative disadvantages to the environment .*

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## Eco-Labeling & WTO

Several structural and political obstacles to addressing Eco-labeling within the WTO; including debates on:

- Evidence of the trade-related effects of labeling;
- The capacity of the WTO to undertake research and analysis of environmental matters;
- Its capacity to address the actions of non-governmental organizations;

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## Eco-Labeling & WTO

Several structural and political obstacles to addressing Eco-labeling within the WTO; including debates on:

- Whether eco-labels are covered by WTO Agreements, whether they are presently permitted, and what changes would be required in order to regulate them; and
- Whether WTO members have a political interest in negotiating these changes, in light of other priorities.

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## Summary

- Basically, an eco-label is just a means of communicating information.
- For a long time the only target for that information was assumed to be the final consumer. Now intermediary companies and governments are also targeted (Supply Chain).
- Eco-labeling was a tool to help customers act in a manner that was consistent with their personal preferences.
- Consumers are not the only market actors, and environmental concern is not the only motivating preference.
- Energy efficiency labels that provide information on home appliances have been among the most successful eco-labels. It is perhaps no coincidence that these labels also entail long-term financial benefits in the form of reduced energy costs.

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## Summary

**Eco-labeling** is currently one of the main consumer information tools that exist in markets around the world. They provide information to any actor making purchasing decisions on the basis of environmental characteristics, including private companies and governments. For these pragmatic reasons alone, it is worth pursuing further the design and effects of eco-labels.

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## Summary

The spread of environmental requirements, including eco-labeling and other types of standards, can be expected to continue to increase due to the actions of private market actors, particularly through supply chain contracts and big retail chains.

Future work on these issues should actively engage eco-labeling practitioners and organizations developing eco-labeling programmes, including the International Social and Environmental Accreditation and Labeling (ISEAL) Alliance and the Global Eco-labeling Network (GEN).



## Conclusions

### Trade Opportunities

- Improving developing countries' capacity to promote and offer internationally recognized labels on their key export products.
- Increasing industries' and particularly SMEs' capability of improving the environmental efficiency of their production patterns and of their products throughout their life-cycle,
- Enhancing competitiveness of products and penetrating international markets
- Complying with international guidelines, standards and regulations to benefit from the demands for environmentally-friendly products in developed countries, and
- Strengthening long-term contract potentials.



# Conclusions

## Better Categorization

Making eco-labels more effective and finding ways to reduce their negative impacts, a consistent methodological framework to guide the categorization of eco-labels into more distinct sets is needed, to distinguish between eco-labels that are:

- Voluntary or mandatory;
- Targeted at individual consumers, industrial customers, investors, government agencies or other drivers;
- Addressing single or multiple issues;
- Impacts related to consumption, production or entire life cycle

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# Conclusions

## Better Categorization

- Single or multiple sectors;
- Approaches to criteria-setting based on leadership, rating or information;
- Criteria for management processes, performance outcomes or both;
- Criteria or scope defined locally, regionally or internationally;
- Declarations of conformity by second parties or third parties, or self-declarations;
- Impacts of single product, range of activities or defined manufacturing site; and
- Environmental, social or economic issues or a combination of these

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# Conclusions

## Suggested Future Work (UNEP)

- Develop a framework for categorizing the characteristics of eco-labels;
- Develop monitoring systems to examine eco-labels' environmental effectiveness;
- Undertake case studies on why eco-labelling works or fails in environmental terms, as well as on the quantification of its trade effects;
- Undertake research on the design of accompanying private and public policies that use eco-labels to promote environmental objectives, with a view also to minimizing any undesirable trade effects;

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# Conclusions

## Suggested Future Work (UNEP)

- Contribute to the design of eco-labelling programmes and accompanying private and public policies that respond to SME and developing country needs and conditions, including 'phased approaches' to the
- Introduction of standards, technical equivalence agreements, and lower-cost conformity assessment and certification services;
- Participate in bodies shaping international standards or certification procedures that affect the design and implementation of eco-labelling programmes, such as ISO, the ISEAL Alliance and the GEN;

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## Conclusions

### Suggested Future Work (UNEP)

- Collaborate with developing countries in gathering and analysing market information on eco-labelling and on low-cost techniques for complying with its requirements;
- Develop guidelines (perhaps in cooperation with the Global Compact) on how to integrate environmental requirements, including eco-labelling, into supply chains, so that positive environmental and economic benefits – including predictability of market access – are maximized and undesirable trade effects are minimized; and

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## Conclusions

### Suggested Future Work (UNEP)

- Provide guidance and advice to the members and secretariats of multilateral environmental agreements (MEAs) that are considering the development of eco-labelling or similar types of consumer information tools for implementation purposes.

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