



House of Commons
Environmental Audit
Committee

Environmental Labelling

Second Report of Session 2008–09

*This is an embargoed
advance copy. Not to be
published in any form until
00:01 on 23/03/2009*



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Labelling**

Second Report of Session 2008–09

*Report, together with formal minutes, oral and
written evidence*

*Ordered by The House of Commons
to be printed 3 March 2009*

HC 243

(Incorporating HC 83 of Session 2007–08)

Published on 23 March 2009

by authority of the House of Commons

London: The Stationery Office Limited

£22.00

The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: www.parliament.uk/parliamentary_committees/environmental_audit_committee.cfm.

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Committee staff

The current staff of the Committee are: Gordon Clarke (Clerk); Anne-Marie Griffiths (Second Clerk); Richard Douglas (Committee Specialist); Oliver Bennett (Committee Specialist); Susan Monaghan (Senior Committee Assistant); Jennifer Steele (Committee Assistant); and Charlotte Towerton (Sandwich Student)

Contacts

All correspondence should be addressed to The Clerk, Environmental Audit Committee, Committee Office, 7 Millbank, London SW1P 3JA. The telephone number for general inquiries is: 020 7219 6150; the Committee's e-mail address is: eacom@parliament.uk

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Summary

One of the most powerful ways in which individuals can bring about social and environmental change is through ethical consumer choice. This often achieves changes in corporate policy faster and more efficiently than government regulation or legislation. Consumer choice requires the consumer to be able to discriminate between products and services and labels have been an important influence on consumer behaviour, strongly influencing markets as diverse as white goods, paper and dairy products and helping to create whole niche markets for fairly traded and organic goods.

But its very effectiveness also makes consumer information labelling attractive in marketing terms to retailers and producers and there is a risk of proliferating labels of uncertain quality undermining consumer understanding and confidence. To be effective, labels need to be as universal as possible and they need to be backed up by systems for audit and accreditation that will ensure the claims manufacturers make about their products can be verified.

The Government needs to put more resources into promoting better environmental labelling and push harder on setting the standards and parameters for labelling schemes. As in the white goods market, environmental labels are particularly effective when consumers do not have to pay a premium for higher standards. The Government should examine the scope for strengthening the effectiveness of other labelling schemes through fiscal measures.

Although the best are clear and self-explanatory, labels are more likely to influence a purchasing decision if the customer has prior awareness and understanding of the label. The Government must help to promote and explain environmental labels actively to consumers, using publicity and advertising to raise their awareness and understanding before they make decisions on purchases. The Government should require certification schemes to make public information explaining the structures, standards and methods behind the label, ensuring that consumers can have confidence in the audit and inspection processes that underpin the claims a label makes. The Government should also set standards and guidelines for the levels and categories of information to be provided by any business that seeks to promote its operations and products through a third-party labelling scheme. More must be done to ensure information in support to labels is made available to consumers both prior to purchase and at the point of sale.

There is a growing problem with greenwash—the use of insubstantial or meaningless environmental claims to promote a product. The Government has a role to play in policing the use of environmental labels and intervening directly to remove those found to be inaccurate or misleading.

In many ways, environmental labelling's real potential lies not in changing consumer behaviour, but in changing business behaviour and thereby improving the sustainability of the manufacturing process and the products available to the consumer. In improving the overall environmental performance of the economy, the Government must work more closely with business to increase take up and to ensure labels are used correctly for the

sectors and product groups identified as priority areas. In order to do this effectively, labels should be underpinned by proper systems for analysis, audit and accreditation.

Carbon labelling is crucially important. It cannot account for all environmental impacts or be a universal environmental label. But the value of the carbon label will be increasingly important as consumers' awareness and knowledge of embedded carbon grows. Embedded carbon labelling is a form of environmental label that can be applied to all products and all sectors, and, given the nature of the challenge we face in decarbonising the economy, may be the single most important one. The ideal would be for industry and services collectively to agree a credible and verifiable environmental labelling scheme that meets the requirements of informed consumer choice. But as in the case of food labelling, it may be that the best and clearest label allowing the easiest consumer choice has to be developed by a statutory agency and the Government will in due course have to consider the need to legislate for a sector-based universal labelling scheme. Indeed there is a strong argument for environmental and indeed ethical labelling to build on the lead given by the Food Standards Agency with their 'traffic light' approach and for government to expand this established and well-understood way of communicating with consumers into other areas. Above all, the Government should support clarity, simplicity and consistency in labelling.

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1 Introduction

1. Our Committee regularly examines the targets and policies of government as they relate to environmental protection and sustainable development. These often rely on changing behaviour, both in industry and among individuals. Environmental labelling schemes are an important means of supporting this change.

2. In July 2008 the Government set out its strategy for improving product sustainability. This recognised that environmental labels can play an important role in communicating the value and purpose of environmental benchmarks and standards to consumers.¹ Labelling is only one part of a wider strategy to improve standards across industry, but labels remain the primary means of communicating these improvements to consumers and engaging them in this process.

3. In 2007 we established a Sub-Committee to examine what action the Government was taking to support and encourage the development of relevant and effective environmental labelling schemes. The Sub-Committee's inquiry aimed to investigate the potential of environmental labelling. It focused on a number of schemes as case studies, notably the environmental labelling of vehicles, green electricity tariffs, white goods, and food. The inquiry also examined recent moves towards embodied carbon labelling.

2 The Government's role

4. Information provided to consumers can help to raise awareness of environmental issues and encourage environmentally informed choices by consumers. These choices influence manufacturers and they may examine their products and supply chains in order to make their products or services more sustainable. Certification schemes, when used effectively, can help the development of more sustainable products and services.

5. Customers expect retailers to make certain choices on their behalf, a process known as 'choice-editing': "overall customers believe that 75% of the responsibility for addressing social and environmental issues lies with the retailer and 25% with them".² In some cases retailers will undertake choice-editing on a unilateral basis, to build an environmentally positive brand image; the SDC gave B&Q, which chooses to stock only Forest Stewardship Council certified timber, as an example.³ Marks & Spencer have made choice-editing a key part of its 'Plan A' approach by refusing to stock non-free range eggs or non-fairtrade coffee, a choice that could be extended into environmental areas:

Let us be clear, retailers reduce choice every single day of their lives. We put 35,000 products on our shelves every year. We reject another 50,000 that we could have done because it is the wrong price, the wrong fashion, it is never going to sell. [...] All we are doing here is saying, 'for an emerging set of issues, environmental and social, we will face some tough choices for our customers' [...] we believe you have

1 Defra, Progress Report on Sustainable Products and Materials, July 2008, p38

2 Ev 10

3 Q 96

got to give that leadership [...] if you have beliefs as a retailer you edit out the bad choices.⁴

6. Ironically, however, those retailers building a unique brand positioning on high environmental standards across their ranges will not necessarily have any commercial interest in a more universal scheme. Nor will those whose choice-editing is clearly directed towards value for money or price be likely to welcome such a scheme. Compulsion may therefore have to be considered as an option if environmental consumer choice does not align with commercial interests.

7. Tesco told us that where possible they prefer to empower and inform consumer choice through labelling, rather than restricting the options available.⁵ Choice-editing, identified consumer preferences and actual consumer choices can clearly interact to encourage growth in environmentally high-performance products and markets. It can also raise standards; the National Farmers' Union told us that once the Farm Assurance scheme had been adopted by major supermarkets, it became the "entry ticket in terms of supply", with a farmer not approved by the scheme standing "very little chance of seeing his product sold into the major supermarkets".⁶ The Government is involved in choice-editing. It recently agreed a voluntary initiative with major retailers to phase out the sale of non-energy-efficient light bulbs.⁷ Joan Ruddock told us that this voluntary arrangement would achieve change faster than the planned EU legislation on the topic.⁸ But choice editing can be a difficult process to manage; it is not always sustainable and can result in higher costs. Marks & Spencer use 10% fairtrade cotton, a purchase that amounts to a third of the entire world supply.⁹ Defra told us that regulating low performance and inefficient products out of the market could pre-empt legislative processes already underway in the European Union or could be in conflict with international regimes on barriers to trade.¹⁰ Choice-editing inevitably takes some choices away from consumers and can remove from them the responsibility for making choices based on environmental considerations or even raising awareness of environmental issues. Environmental labelling and certification schemes offer an opportunity for consumers to make environmentally sound choices every day and so drive the process of choice-editing themselves, encouraging retailers to stock more of the products that carry better ratings and de-list the worst performers.

8. Environmental labels vary widely in their design, quality and purpose. Labelling is evolving rapidly; the knowledge and understanding of the market that underpin it continue to develop. As a result uncertainty, confusion, and a lack of coordination between manufacturers and parts of the supply chain can easily arise. The Government's role should be to regulate and provide active stewardship: supporting the development and take up of appropriate, useful labels and certification schemes; assisting consumers to make environmentally positive purchases; and encouraging manufacturers to make

4 Q 47

5 Q 152

6 Q 5 (Mr Tapper)

7 See, for instance, Defra news release 27 September 2007 Energy guzzling light bulbs phase out to start next year

8 Q 317

9 Q 49

10 Q 315 (footnote)

improvements to their products and supply chains. The issue of carbon labelling is important, distinct and merits special attention; we deal with this separately (see paragraph 52). We have identified three main priorities for government action:

- reducing consumer confusion by promoting the simplification, unification and verification of environmental labelling, preferably into a single sector-based universal scheme incorporating different key elements as in emerging food labelling schemes;
- working with manufacturers and retailers to support the adoption of robust, auditable certification schemes to underpin the simple presentation of information to consumers; and
- encouraging manufacturers to make improvements to their products and supply chains.

9. By a sector-based universal labelling scheme we mean that across all products and services the label would appear similar but that the key criteria for each sector would be different and the information displayed on the label might vary from sector to sector. Another important issue here is that the supply chain behind any product or service would have to be assessed in examining the key criteria; there is no point in assessing a product as having a particular green credential if one of its key components fails to meet the test.

10. The Government needs to put more resources into promoting better environmental labelling. The Government should encourage the development of a sector-based universal scheme comparable to those emerging in food labelling that can incorporate a wealth of information in a simple and instantly understandable label for consumers. The Food Standards Agency's 'traffic light' scheme is admirable in its simplicity and its ability to graphically convey high or low performance more or less instantaneously without the need to understand complex methodologies. In contrast the scheme preferred by some manufacturers, based on Guideline Daily Amounts, is relatively confusing giving information and some comparability but making rapid choices more difficult. This underlines the potential importance of having a statutory body – perhaps the Environment Agency – ready to develop a system that delivers in terms of informed consumer choice, should the manufacturers and retailers themselves fail to do so. **The Government should be prepared to enforce such a labelling scheme by statute although we accept that the ideal would be for manufacturers and retailers themselves to introduce a clear and robust scheme without the need for government enforcement.**

11. We have heard concerns about the proliferation of environmental labels. David North, Community and Government Director at Tesco, told us that a proliferation of labels was an inevitable risk “where you have choice driving change in the market place”.¹¹ Many witnesses resisted calls for rationalisation. The Government argued that:

Although the number of labelling schemes can seem confusing, some have become well known by consumers, who are able to differentiate between them in the same way as between the many different brands and retailers [...] even where separate labelling schemes cover similar territory, a degree of choice can help business. The

first-rate schemes obviously help to encourage better environmental standards, and stimulate other organisations to create better schemes.¹²

12. Given the thought and investment in methodology, presentation and public understanding by the Food Standards Agency in their ‘traffic light’ scheme, there is a strong argument for adapting it to environmental labelling and perhaps in future to ethical labelling around areas such as animal welfare and fair trade. For example, Sainsbury’s ‘petal’ food label is similar but more compact and arguably even clearer and simpler and could also be considered. A proliferation of different systems for health, environment and ethical choice could add to the confusion of consumers whereas complementary ones would mean each system would gain from a consumer understanding of the others. A different colour scheme would obviously be desirable but green would still be the obvious indicator of a good rating. The different categories of salt, fat, calories and so on could be replaced by embedded carbon, water use, impact on biodiversity, energy consumption in use and other categories based on agreed certification or international standards in each case. **The Government should make sure that environmental labels are backed up by an appropriate set of standards and criteria, covering issues like independent monitoring and verification of claims, so that consumers can have confidence in them. The Government must also ensure that the labels will also make a difference to the producers who use them.**

3 Focusing on the most relevant labels

Environmental impacts covered by labels

13. The crucial factor in achieving behavioural change is that any label is relevant to consumer concerns and effectively communicates a key issue relating to that product: Dr Alan Knight, Commissioner on Sustainable Consumption at the Sustainable Development Commission, said:

People know there is not one thing called an environmental problem, there are lots of different environmental problems and they associate different problems with different products and they expect that label to talk to that particular issue for that particular product.¹³

14. For instance, when buying fish, the environmentally-conscious consumer will want to know whether or not it is sustainably sourced; when buying kitchen roll, the consumer may look for recycled paper; when buying vegetables, the focus may be on local produce. In some areas, customers may prioritise different issues: for example, the Carbon Trust admitted that: “certain types of organic food may be more carbon-intensive than non-organic equivalents, and consumers should be able to make choices based on the criteria that are important to them”.¹⁴

12 Ev 114

13 Q101

14 Ev 23-24

15. It is crucial for labels to reflect the most important environmental priorities, both in terms of consumer behaviour and the environmental priorities identified for each sector. So if, for instance, a ‘traffic light’ or ‘petal’ scheme was adopted and embedded carbon was felt to be the most important element, in each sector this could make up a larger or more prominent portion of the label.

16. Some witnesses expressed concern that labels focusing on different issues for different products could require complicated trade-off decisions by the consumer, and would reduce the effectiveness of environmental labelling. The British Glass Manufacturers Confederation said:

A labelling system which focuses on a single environmental issue [...] will inherently fail to address the overall environmental impact of any product. [...] failure to include all environmental impacts will inevitably mean that environmentally poor decisions will be made by a consumer that is trying to do the ‘right thing’.¹⁵

Single-issue labels may allow consumers to follow their own priorities, and this could serve as an important adjunct to a sector-based universal labelling scheme. This is an important part of environmental engagement with the market. Consumer choices can help to protect as well as damage the environment.

17. There is a desire for labels that denote an overall ‘environmentally good’ product, without asking consumers to prioritise different environmental impacts. Such labels may aim to cover all mainstream environmental impacts, like the EU Ecolabel, or to cover a wide range of impacts within a small category, such as the LEAF sustainable farming label.¹⁶ Indeed, the Government itself is investigating the possibility of a single environmental standard for farm management.¹⁷

18. Dr Alan Knight told us, “these catch-all labels which are trying to do every single issue for every single product tend to get so diluted they are actually losing their impact”,¹⁸ and this view was also expressed by a number of other witnesses.¹⁹ Defra said the labels that “aim to cover a complex mixture of environmental issues across a product’s life-cycle have often found it harder to make headway in the market”.²⁰ This is true of the EU Ecolabel. It was established to cover a wide range of products, from toiletries through to paints and varnishes and even campsites and hotels, but has only been taken up by a small number of companies and is not well-known to consumers. It also takes the role of choice-editor, or at least label editor, and hands it not to consumers but to the scheme’s administrators. Labels assessing environmental performance across a wide range of factors are extremely complex to manage. Consumers can easily lose sight of what they are getting at. The Government should support clarity, simplicity and consistency in labelling.

15 Ev 135

16 Ev 82

17 Ev 112

18 Q 97

19 See, for example, Q 139 [David North].

20 Ev 112, Q237

19. As in food labelling, it is important that a sector-based universal labelling scheme is developed and that clarity and simplicity are not lost in a plethora of different single-issue labels and complex information. Equally we must avoid the situation, as in the Ecolabel, where the simplicity is so great that meaningful comparison becomes difficult.

The EU Ecolabel

20. In July 2008 the European Commission presented proposals for a revised EU Ecolabel, linking it with other EU environmental policies but also taking action to make the scheme less costly and bureaucratic. Defra had recognised these difficulties but was otherwise complimentary about the mechanisms behind the label:

It has got great potential and the mechanism by which the work is done to bring the company, the product, or whatever to the point at which they receive the label, that work is incredibly important work. It is very well done, it is independently assessed and therefore we believe that that is a way forward.²¹

21. Defra acknowledged that the wide scope of the EU Ecolabel meant there had so far been little demand for it.²² The Commission's proposals aim to widen the scope of the scheme, taking in the particularly complex food and drink market. **This extension of the EU Ecolabel's coverage will provide a vital test of consumer willingness to accept wide-ranging generic labels. While we have real doubts about the wisdom of such 'one-size-fits-all' generic labels, the Government should support the continuing development of the label to test its viability fully, including promotion to raise the profile of the label.**

22. Joan Ruddock, then Parliamentary Under-Secretary of State (Climate Change, Biodiversity and Waste) at Defra, said: "you might suggest, we should move to some comprehensive label that says, 'this is good for the environment', but I must tell you that this has not been possible".²³ The Government is, however, undertaking work into a generic environmental standard for food production. **The Government is right to recognise the difficulties of developing a 'one-size-fits-all' label but this should not prevent it from making progress on making environmental labelling clearer or from making progress with a sector-based universal scheme. The Government should, after a suitable period of time has elapsed, review the revised EU Ecolabel to determine whether it is working any better. The Government may need to go back to the EU with proposals for further revisions that are more flexible and informative, based on the 'traffic light' or 'petal' model, and which might attract more support from consumers. This may require a sectoral approach.**

21 Q 320

22 Q 323

23 Q 295

Linking labels to consumer priorities

23. In many cases, especially in the case of energy and fuel consumption, the environmentally ‘good’ choice can also save the consumer money. Joan Ruddock MP told us that, where this link is clearly set out, it has the potential to be a positive deciding factor even for less environmentally-aware consumers. She noted that the link between green choices and cash savings was the reason why the white goods labels had been “hugely successful”.²⁴ Money is also a more readily understood criterion and, crucially, directly relevant to the consumer. The Energy Saving Trust said:

Research shows that most consumers do not understand carbon labelling or embodied energy and that it currently doesn’t affect their decision making, but they do understand energy saving (particularly in the context of money saving) and consider this when purchasing lighting and white goods.²⁵

24. When the vehicle emissions label was revised in 2004–05, it was linked more closely to financial concerns. Rather than focussing solely on carbon emissions, it was decided to give equal weight to the related factors of fuel efficiency and running costs, which had been “reported to be more important issues for car buyers”.²⁶ Links with tax are another area that can be emphasised: the Society of Motor Manufacturers and Traders (SMMT) told us that, in terms of communicating environmental impacts to customers in the showroom, “linking it to the fiscal system is the strongest possible link”.²⁷

25. In some areas, government initiatives can help to strengthen this relationship between environmentally positive choices and monetary savings. For instance, in addition to displaying fuel consumption savings, the vehicle emissions label has been greatly strengthened by the direct link between the A-G label grades and the categories of Vehicle Excise Duty, underlining even further the money-saving message. Indeed, this correlation serves a dual purpose: “this, at the same time, has reinforced the message given through the tax regime: lower carbon emissions = lower road tax”.²⁸ However, our 2008 Report into Vehicle Excise Duty noted that recent revisions to VED will complicate the labelling system, and government will have to work hard to ensure that the labelling system is able to communicate effectively the new, more complex arrangements.²⁹ The second-hand market for cars is hugely significant and the Government should investigate what can be done about making clear the implications for purchasers of second-hand cars.

26. Labels are more successful in influencing the behaviour of consumers when the longer-term financial implications of purchase decisions are highlighted. Labels that rely solely on a consumer’s environmental conscience have less impact and will appeal to a smaller audience. Brian Samuel, Head of Policy Research at the Energy Saving Trust, said the

24 Q 301

25 Ev 56

26 Ev 96

27 Q266 (Mr Barnes)

28 Ev 94

29 Environmental Audit Committee, Tenth Report of Session 2007–08, *Vehicle Excise Duty as an environmental tax*, HC 907, para 45

Government should support labelling on consumer electricals and white goods through an accompanying fiscal incentive:

You need to incentivise the good and penalise the bad, so I would like to see a stronger linkage between Energy Saving Recommended products and, say, reduced VAT, for instance.³⁰

As in the white goods market, environmental labels are particularly effective when consumers do not have to pay a premium for higher standards. They may also be more effective if they can be made to coincide with a financial benefit to the consumer. The Government should examine the scope for strengthening the effectiveness of environmental labelling through fiscal measures.

Raising awareness

27. The British Retail Consortium told us “communication of labels can only be successful within the context of education and marketing campaigns. We need to recognise that customers often have a limited time to shop and, therefore, to read and absorb labels”.³¹ Substantial advertising and promotion of labels related to less frequent purchases (such as the white goods and vehicles) is particularly vital since consumers will not see these labels on a regular basis unlike, for instance, the food labels encountered every week. The Energy Saving Trust (EST) argued that the impact of a label is ‘negligible’ unless careful marketing and promotion have made consumers aware of its purpose:³²

Retailers noted the value of the Energy Saving Trust marketing of ESR to consumers and the extent to which it was easier to sell an ESR product to a customer that was already aware of the logo. They also noted their customers proactively request ESR products [...] it is worth nothing that retailers would like to see greater effort behind information, education and awareness promotion of ESR to consumers.³³

Greg Archer of the LVCP explained that prospective car buyers are often far on in the decision-making process by the time they reach the showroom, and it is therefore crucial to promote labels and their associated comparative data “in the right media so that it reaches people at the right time in their decision making”.³⁴

28. The Government offers online guides to environmental labels³⁵ and also more detailed explanations of particular schemes, such as the vehicle emissions labelling information provided on the Act on CO₂ website.³⁶ Label owners may choose to publicise their own labels; the Government’s role is to ensure that the labels it selects as its priority cases receive adequate publicity and are clearly communicated to the consumer at the appropriate point

30 Q 189

31 Ev 138

32 Ev 53

33 Ev 58

34 Q 287 (Mr Archer)

35 See, for instance, the Shopper’s Guide to Green Labels
www.defra.gov.uk/ENVIRONMENT/consumerprod/pdf/shoppers-guide.pdf

36 <http://campaigns.direct.gov.uk/actonco2/home/on-the-move/buying-your-car.html>

in their decision making. The Government has a unique capacity to provide objective advice to the public and guide consumers through the confusion that labels may cause.

29. Labels are more likely to influence a purchasing decision if the customer has prior awareness and understanding of the label. Where the Government supports a labelling scheme as part of its sustainable consumption strategy, it must actively promote and explain the label to consumers, using publicity to raise their awareness and understanding of labels before they make decisions on purchases. How information on, for example carbon, is presented in marketing materials and advertising is important. The Government should examine whether there is a case for regulating how information is displayed to ensure it is prominent and consistent with a sector-based universal labelling scheme. The way information is presented must be underpinned by standards to ensure the information is displayed prominently and in a way that allows different products to be compared easily and that ensures that environmental information is presented consistently across all forms of marketing media.

4 Ensuring quality

Standards

30. The NFU cautioned against the “ad-hoc and unscientific” nature of environmental labels,³⁷ and as the incidence of labelling carrying environmental claims continues to grow, the variety of standards used is likely only to increase. The problem of ‘greenwash’ (the use of insubstantial or meaningless environmental claims to promote a product) goes hand in hand with an apparent gain for producers in presenting their product as environmentally friendly. Defra told us that problems of this type had become much less frequent following the publication of Government guidance on the topic: “it is very rare that we actually receive directly any complaints on pack product claims; there is an on-going problem at a fairly low level on media advertising relating to products, which the Advertising Standards Authority picks up”.³⁸ However, the Energy Saving Trust insisted that greenwash remained a problem, especially when labels rate products on issues that are not particularly relevant to that product category.³⁹ **The Government has a role to play in policing the use of environmental labels and intervening directly to remove those found to be inaccurate or misleading. It should provide Trading Standards and the ASA with the training, resources, powers and sanctions required to review all instances of dubious environmental claims. The Government should issue guidance to both independent and business-initiated schemes, to ensure that appropriate levels of accuracy and relevance are adopted by all labelling schemes.**

Provision of background information

31. Standards must be supported by adequate information in addition to that shown on the product itself. Labels themselves can convey only limited information. Excessive

37 Ev 1

38 Q 309 (Mr Ryder)

39 Ev 60

information on a label risks distracting from the core message, or discouraging consumers from considering the label at all. The British Retail Consortium noted that:

A contradiction was highlighted in a number of studies; whereby consumers support the inclusion of the maximum amount of label information, yet regularly claim to feel confused or overloaded by the information provided.⁴⁰

In general, the level of information that is appropriate to be included on the label itself varies with the product. For instance, Marks & Spencer believes that signposting (the use of simple logos) is easier for their consumers to understand and therefore more effective,⁴¹ given the number of products on display and the nature of grocery shopping. Conversely, labels for products where, in general, more time is taken over a purchase, (such as white goods or vehicles) can offer more detailed information.

32. Most consumers are likely to be satisfied with the information provided on the product itself. A small minority of curious or committed consumers may wish to seek out further information about a label's operations, principles and standards. This information should be publicly available to those who seek it. This is especially important for complicated or opaque processes, as in the case of green energy tariffs. Mr Steve Smith, from Ofgem, told us:

You have [green energy] schemes which are much harder for customers to understand where people are saying: 'we'll take the money and we'll put it in some sort of investment fund and we will invest it in other environmental improvements'.⁴²

Although it would be very difficult to explain on a label itself the more exact use of these additional funds, it is essential that information is available online (and on request) that explains to consumers the structures and processes that underpin a label's claims. Primary responsibility for providing the necessary background information for a labelling scheme should reside with the label owner. **The Government should require certification schemes to make public information explaining the structures, standards and methods behind the label; ensuring that consumers can have confidence in the audit and inspection processes that underpin the claims a label makes. The Government should also set standards and guidelines for the levels and categories of information to be provided by any business that seeks to promote its operations and products through a third-party labelling scheme.**

Reviewing labels

33. The vehicle emissions label was revised recently in order to make it more accessible for consumers and relevant to the concerns of consumers.⁴³ Some of the evidence we received highlighted a need for similar evaluation and remodelling, notably in the area of energy labelling for freezers and refrigerators, where improvements in energy efficiency have led

40 Ev 138

41 Ev 13

42 Q 202

43 Ev 96

to confusingly-named A, A+ and A++ bands.⁴⁴ Ofgem worked towards labelling guidelines and templates for the marketing of green electricity tariffs when it became apparent that existing labelling attempts were poorly understood,⁴⁵ especially the distinction between ‘low-carbon’ and ‘renewable’ energy.⁴⁶ Ofgem told us that energy suppliers had welcomed this intervention to improve transparency and coherence in the labelling systems they used.⁴⁷ **Labels need to be regularly reviewed and adapted to ensure they keep up with changes in the market and adequately reflect consumer concerns. We welcome the Government’s involvement in remodelling the vehicle emissions label, and we urge it to maintain a programme of regular reviews across its own labelling portfolio. The Government should also identify areas where non-government labels are in need of review, and should place pressure on the label owners to undertake regular reviews.**

34. Some environmental labels identify the highest-performing products in a particular field. The most successful example of this kind of label is the Energy Saving Trust’s Energy Saving Recommended (ESR) certification. This label takes the form of a simple logo, complementing the more complex A-G white goods label by identifying at a glance the highest-performing products. The ESR label has been successful in helping consumers to differentiate between the high numbers of top-rated products in the white goods market.⁴⁸ But the need for such labels may indicate a shortcoming in the primary labelling system. The EST told us that their ESR logo is successful because it communicates a clear message ‘at-a-glance’⁴⁹ but the colour and letters on the A-G label should have the same effect. The ESR label was a UK response to sluggish revision of the A-G label by Europe. **The Government’s priority should be to resolve shortcomings in existing labelling schemes, rather than introducing extra labels to compensate for deficiencies.**

5 Engaging business

Limitations to the consumer’s role

35. Most environmental labels are targeted at consumers. It was thought that “good information about products would create consumer demand for greener products and ‘pull’ them through the supply chain”.⁵⁰ Indeed, Tesco noted how labelling, when accompanied by appropriate information and incentives, had significantly influenced customer choice in areas such as organic food and nutritional labelling.⁵¹

36. Environmental labels may, however, only influence the minority of environmentally aware and engaged consumers. The majority of mainstream consumers select their

44 Ev 114

45 Ev 72

46 Q 203

47 Q 194

48 Ev 54

49 Ev 58

50 Ev 108

51 Ev 43

purchases on the more conventional factors of price, brand, and convenience.⁵² Greg Archer, Director at the Low Carbon Vehicle Partnership (LCVP), described how in most cases, environmental information was an ‘important precursor’ for encouraging an environmental choice, but that without personal environmental commitment and understanding, consumers were unlikely to make the leap from feeling they *should* make an environmentally positive choice to actually taking that decision.⁵³ The Sustainable Development Commission (SDC) told us, “the green consumer alone cannot change the mass market”.⁵⁴

37. Defra told us that research on consumer choice and behavioural change had demonstrated that consumer information could only bring about significant behavioural change if accompanied by other measures as part of a strategic approach.⁵⁵ Commitment is needed throughout the supply chain.⁵⁶ The SDC concluded that government, business and consumers all needed to work together to achieve change⁵⁷ and this view was echoed by Defra in its recent progress report into Sustainable Products and Materials.⁵⁸ Marks & Spencer stressed that the consumer role in this partnership, and the consumer response to labels, remained important in spite of the limited impact of consumer choice:

If consumer confidence is to be maintained in this ‘green’ business revolution and the initial tentative steps towards sustainable consumption are to be translated into sustained, mass change in behaviour then it is imperative that consumers receive accurate and useful information on the social and environmental issues associated with the products they buy.⁵⁹

Effective environmental labelling must be part of a wider partnership between government, consumers and business if the goal of a more sustainable economy is to be achieved. Arguments about the accessibility of labels must not lead to an oversimplification or lowest common denominator effect; the aim should always be to raise standards.

The potential for engaging business

38. Mike Barry of Marks & Spencer described the role labels played in driving change within the company: “a lot of what we currently call environmental and social labels are actually management tools by which we can drive and enforce change across our supply chains and then report to society on the progress we are making”.⁶⁰ The SDC set out ways in which companies could use these labels as tools to improve their environmental performance:

52 Ev 139

53 Q 265 (Mr Archer)

54 Ev 33

55 Ev 109

56 Ev 108, Ev 32

57 Ev 32

58 Defra, Progress Report on Sustainable Products and Materials, July 2008

59 Ev 10

60 Q 39

Labels and their underlying standards can help to stimulate businesses to change production methods, demand higher standards from suppliers, or encourage retailers to ‘choice edit’ the products they offer. They can also be used as a performance benchmark that prompts competition amongst businesses.⁶¹

39. Where businesses make significant use of certification schemes and associated standards to reduce their environmental impact and communicate changes to customers, the company’s brand reputation as a whole can be improved. This can be more valuable to a business than consumer shifts from one product to another. Mr Barry, from Marks & Spencer noted:

What consumers were telling us was, ‘Great, M&S, I’m not going to automatically buy more of that one specific product in this campaign, but I will shop more with the brand because I trust that you’re managing all these issues across everything that you sell.’ So in terms of brand and reputation it is hugely powerful.⁶²

Businesses can also benefit in other ways. By rationalising and ‘greening’ their supply chains, money could be saved on energy consumption and production processes, while the higher environmental standards of their products could mean that consumers are willing to pay a premium. Farmers too can benefit from environmental certification, with benefits from better farm and business management coming alongside better recognition in the marketplace.⁶³ We look at the role of carbon labelling and lifecycle assessment later in this report (see paragraphs 52 to 64).

40. The most effective partnership in environmental labelling is not always between the labelling scheme and the consumer, but very often between the scheme and industry, and it is this interaction that should be prioritised when developing a label. The standards and requirements of environmental labelling schemes can provide a framework for driving change within a supply chain or manufacturing process, while the label itself allows the manufacturer to tell consumers what improvements have been made. Environmental labels and the businesses that use them should seek to go beyond simply rating and certifying the status quo; instead, they should encourage continual improvements in standards. **In many ways, environmental labelling’s real potential lies not in changing consumer behaviour, but in changing business behaviour and thereby improving the sustainability of the manufacturing process and the products available to the consumer. In improving the overall environmental performance of the economy, the Government must work more closely with business to show how environmental labelling can help them to drive changes in their business and in their supply chains. In order to do this effectively, labels should be underpinned by proper systems for analysis, audit and accreditation.**

Product road-mapping

41. Dr Knight from the SDC noted that for labels that identify a single dimension of improvement, corporations are more willing to “get behind them and make them work”.⁶⁴

61 Ev 33

62 Q 43

63 Q 235

64 Q 97

One of the best ways to identify the areas of greatest relevance to the product is through product road-mapping, which brings together many different actors (businesses, policy makers, environmental groups, &c.) to discuss the processes and supply chain of a particular product, identifying the major issues in the process and assessing where in the production chain these issues can best be resolved. Marks & Spencer noted that this process may not always identify labelling as the best method for tackling the major issues around a product: “it is about looking at all these products and picking out where the labelling is actually a benefit. It is not everywhere and it will not in every instance be the right educational tool, but sometimes it will be”.⁶⁵

42. Marks & Spencer also noted that product road-mapping is “a great role for government to get stuck into”.⁶⁶ The Government is currently piloting product road-mapping in ten product areas. The SDC told us they were pleased that the Government recognised that “businesses and retailers, and also public policy, have a bigger role here than just devising labelling schemes for the customer to make the choice”.⁶⁷ However, Dr Knight argued that the Government needed to be bolder in assuming the “thought leadership” role in the road-mapping process.

43. Product road-mapping is an important innovation in efforts to improve the environmental impact of supply chains. The Government has a vital role to play in this process. We welcome the Government’s current pilots on product road-mapping and we urge it to extend this work to further product ranges as soon as this is feasible.

Voluntary action

44. Although regulatory action is important for ensuring labels are accurate and robust, action on a voluntary basis by business and industry can be a swifter and more effective way to raise minimum standards and drive out poorly performing products. Voluntary action can be more flexible and responsive to changes in product performance or consumer preferences. Voluntary initiatives have been undertaken on a unilateral basis by single companies, or based on agreements across sectors. On occasion, this has occurred at a European level (for example, the code of conduct to improve the energy efficiency of digital TV services). The Government has said “very significant improvements can be delivered as a result of these types of initiative, and Government will continue to play its part in supporting and facilitating them”.⁶⁸ **We note the effectiveness of voluntary initiatives in driving up environmental standards in industry and we are encouraged that the Government is involved in these processes.** Carbon labelling is of such importance that it may require a different approach and we discuss this later in the report (see paragraphs 52 to 64).

65 Q 57

66 Q 57

67 Q 110

68 Defra, Progress Report on Sustainable Products and Materials, July 2008, p36

The role of retailers

45. Environmental labels are a means for businesses to convey information to the consumer. It is the retailers, at the point where the consumers are making their choice, who may have the greatest capacity to influence a consumer's decision. Jonathan Murray of the Low Carbon Vehicle Partnership confirmed the vital role played by the retailer in supporting the role of environmental labels in consumer decision-making: "the car dealership and the point of sale is still the primary source for the vast majority of people in looking for information and choosing the car".⁶⁹

46. By engaging with labelling schemes the retailer's environmental image may be enhanced, but it can also increase sales. The EST told us that "retailers noted [...] it was easier to sell an Energy Saving Recommended product to a customer that was already aware of the logo".⁷⁰

Providing consumers with information

47. The main way in which retailers can support labels is through the provision of information. Tesco noted that the behavioural change that resulted from their new nutritional labelling system was dependent on the information provided "in store, through leaflets and online [that] empowered them to use the information on the labels effectively".⁷¹ SMMT said that in car showrooms, display materials and leaflets explaining the vehicle emissions label had played an important role in informing customer choice.⁷² There is also scope for less direct but equally persuasive ways of promoting labels, for example the inclusion of LEAF (Linking Environment and Farming) labelled produce on Waitrose recipe cards or using the customer magazine to run features on the purpose of the label.⁷³ However, the most direct and helpful place to supply labelling information is at a point where the consumer makes his or her decision: as near to the product itself as possible. In addition to the traditional methods of in-store display and promotion, there are other innovative ways for retailers to support labelling and certification schemes. For example, the barcode on products could act as a gateway to further information on environmental issues if in-store scanners and displays were provided for consumers by retailers. **The Government should seek to establish an agreement between major retailers, encouraging them to make more information on major environmental labels available to consumers, both in store and online. In particular, retailers should be encouraged to provide this information close to where the products are found (for example, in the aisles themselves), rather than solely at information desks or on request.**

48. Staff should be trained to understand the major environmental labels. The role of staff members will differ depending on the sales environment, and it is important that training reflects this. For instance, in sectors where staff participation in the purchase decision is

69 Q265 (Mr Murray)

70 Ev 58

71 Ev 44

72 Ev 94

73 Q 237

more significant, such as in car showrooms, staff have a more influential role in supporting the label and need to be trained accordingly.

49. Written information must be backed up by staff knowledge. The EST told us that sales of ESR-labelled goods increased when staff pointed out the label to a customer and explained its purpose.⁷⁴ The SMMT told us that “the training and awareness of showroom sales staff is necessary to facilitate customer assimilation of the labelling system and ultimately help them to make an informed decision”.⁷⁵ Disappointingly, extensive discussion of the vehicle emissions label still only occurs in a minority of sales pitches: an LCVP survey found that the label “was referred to and used extensively in a sales pitch by 28% of sales staff once it was revealed that fuel consumption was important to the potential car buyer”.⁷⁶ However, LCVP also told us that SMMT has been keen to encourage wider training on the vehicle emissions label, especially given rising awareness of such issues among prospective car buyers.⁷⁷

Enforcement

50. It was brought to our attention that some car dealerships are still failing to display statutory EU information on fuel consumption, etc. This compulsory information is included on the vehicle emissions label, and although the label itself is voluntary, LCVP told us that if dealerships were forced to comply with the EU requirements “the overwhelming majority of showrooms would choose to adopt the voluntary colour-coded approach”.⁷⁸ The SMMT told us that the problem was probably due to a lack of resources for Trading Standards officers.⁷⁹ **It is unacceptable that certain car dealerships are still failing to display mandatory EU information on vehicle performance. The Government must ensure that trading standards have the training, resources, powers and sanctions necessary to tackle failures of this kind in every aspect of compulsory product labelling.**

Incentives

51. Retailers can also help to encourage sales of high-performance environmental products (contributing also, perhaps, to their own overall sales figures) by using incentives to reward the purchases of products in a particular band, or awarded a particular certification. These could be price incentives (Tesco found that halving the price of energy-efficient light bulbs quadrupled their sales),⁸⁰ special offers, or rewarding certain purchases with extra loyalty points. Retailers should be encouraged to use incentives to increase sales of environmentally certified goods. Even if these special offers are only of a short duration they could still play an important role in raising awareness and changing purchasing

74 Ev 58

75 Ev 94

76 Ev 100

77 Q 284 (Mr Archer)

78 Q 272

79 Q 274

80 Ev 44

habits. Tesco told us how their actions had contributed to the expansion of organic produce:

People will make greener choices if we give them the right information, opportunity and incentive. By expanding our range and promoting organic products through green Clubcard points and point of sale information, buying organic has become much more mainstream, with one in three customers putting at least one organic item in their trolley. We now have over 1200 own brand organic products and our organics business is growing twice as fast as our main food business.⁸¹

While individual environmental certifications may struggle to engage consumers on an equal scale to the organic movement, the transfer of organic produce to the mainstream looks like an impressive example of the power retailers wield in supporting certification schemes. Retailers could also look at the way loyalty card schemes could be used to draw attention to labelled products, by for example, offering additional reward points.

6 Carbon labelling

52. Carbon labelling has great potential to transform decision making by consumers and the way producers of goods and services conduct their business. It can be applied to all products and services and is cross-sectoral. The Carbon Trust has led the way in this field and we acknowledge the contribution they have made although we are again concerned that this may unwittingly add to the continuing proliferation of environmental labels and hope that its methodology could be incorporated into a universal and comprehensive scheme by sector in the same way that, for instance, saturated fat labelling is incorporated into the food labelling schemes. The importance of carbon to the global environment might demand more prominence for this element in any comprehensive environmental labelling scheme.

Carbon labelling for consumers

53. Some argue that the carbon impact of a product has the potential to act as a universal environmental measure. It is true that more progress seems to have been made in measuring and quantifying carbon impact than has been achieved with other environmental and sustainability issues. The Carbon Trust said that:

... carbon equivalent (including all six Kyoto GHG emissions) provides a common measure of climate change impact across all products and services. It also covers the carbon related impact of other environmental issues, such as waste, water and land use change. Carbon is therefore a good measure to start conveying complex information in a single metric. In addition, carbon has the potential to become a 'common currency', applicable to all products and services.⁸²

54. Not all witnesses were as confident in carbon's potential to represent the full range of environmental impacts. The SDC said issues like use of chemicals, animal welfare, trade

81 Ev 43

82 Ev 23

conditions, labour conditions and water use, were all significant global issues that would not be reflected in a carbon label, and concluded that “concentrating solely on carbon could potentially be detrimental to these other sustainability objectives”.⁸³ **Carbon labelling cannot account for all environmental impacts or be a universal environmental label. But the value of the carbon label will be increasingly important as consumers’ awareness and knowledge of embedded carbon grows. Embedded carbon labelling is a form of environmental label that can be applied to all products and all sectors, and may be the single most important measure, given the challenge we face in decarbonising the economy. It is necessary to support efforts to raise an individual’s awareness of their overall consumption of carbon, like the Act on CO₂ campaign, and to support the goal of reducing the carbon intensity of products.**

55. **The Government should encourage carbon labelling for all products and services as a priority but ultimately as part of a universal and comprehensive environmental labelling scheme. It should legislate for this if necessary. An asymmetric devolution of powers presents a challenge to the development of legislation for a UK wide labelling scheme and the Government should open discussions with the Scottish Executive, the Welsh Assembly Government and the Northern Ireland Executive on how a UK wide sector-based universal labelling scheme can be developed.**

Carbon labelling for business

56. In 2007 the Carbon Trust began piloting its carbon reduction label, largely on grocery products. The label displays the embodied greenhouse gas emissions of the product, and imposes a requirement on the producer (if it is to retain the right to use the label) to reduce these emissions over a two year period. The label consists of a logo with a number in grams showing consumers the precise quantity of carbon emitted during the manufacture of the product. Criticism of the project has largely focused on this number, and whether it is understood by consumers or relevant to their interests. The SDC set out their concerns:

What are people to do with the information they are given? A carbon footprint in grams of CO₂ provides no clear message or reassurance about the sustainability of a product. It may even confuse people into thinking that the grams of carbon are actually in the product.⁸⁴

57. The key is whether the consumer’s product choice would be the factor driving change in the supply chain. The Carbon Trust told us that even the pilot scheme had encouraged manufacturers significantly to reduce carbon from their production processes.⁸⁵

58. Manufacturers and retailers can take action on their carbon footprint without using labels. For example, Marks & Spencer have chosen to work together with the Carbon Trust on measuring and reducing carbon emissions from supply chains, without using the Carbon Reduction Label.⁸⁶ Working behind the scenes work with the Carbon Trust can be

83 Ev 34

84 Ev 34

85 Ev 23

86 Q 54

an effective way of driving down emissions. But labels have a part to play in communicating these actions to the consumer.

59. The Carbon Trust has recently launched a further label, the Carbon Trust Standard, which recognises carbon reductions across organisations as a whole, rather than over single product lines. The measurement standard for embodied carbon in products and services (i.e. their carbon footprint) has been developed by the British Standards Institution (BSI), at the request of the Carbon Trust and Defra. BSI has published a Publicly Available Specification (PAS 2050) that can be used for a variety of formal and informal processes for improving and communicating the greenhouse gas performance of products and services. **We welcome the launch of the Carbon Trust Standard label, the Carbon Reduction Label and the new Publicly Available Specification on carbon footprinting. They provide different ways for businesses to promote their commitment to emissions reduction and will help to focus efforts on cutting emissions across company operations. Government and the Carbon Trust should ensure that the difference between labels that focus on individual products and schemes that focus on the performance of organisations overall is well understood by consumers and manufacturers.**

60. Ultimately there is no reason why a comprehensive and universal environmental labelling scheme could not be applied just as effectively to businesses and services as it could be to products. **The Government should investigate how any sector-based universal labelling scheme could be used by companies, national and local government and other organisations to report on their environmental performance. An annual report carrying the ‘traffic light’ environmental impact label would inevitably hide much complex methodology and require rigorous auditing but it would send an admirably simple and effective message to shareholders and other stakeholders.**

Lifecycle assessment

61. Labels can cover a product’s pre-purchase life (origins, manufacture, transport and other supply-chain issues) and/or its post-purchase life (energy consumption, product use guidelines, guidelines on disposal, &c.). ‘Lifecycle’ labels aim to assess environmental impact from the product’s origins through to disposal or recycling. Products will have a carbon footprint from their pre-purchase phase, and there will also be a carbon impact for their post-purchase phase, ranging from significant (e.g. a car) to negligible (e.g. a packet of crisps). Taken together, these measurements could form a lifecycle footprint. The Government has signalled its intention to make greater use of lifecycle analysis as a first step in identifying the appropriate actions and standards to be used for a particular product.⁸⁷ This kind of assessment could certainly be valuable, but it is too complex to be transferred wholesale into consumer-labels.

62. Attempts to reach lifecycle footprints even for basic products can result in complex calculations based on a highly hypothetical average usage. EST noted that a carrot could be eaten raw, cooked in a microwave, or boiled in a pan of water.⁸⁸ It is difficult to see how

87 Defra, Progress Report on Sustainable Products and Materials, July 2008, p7

88 Ev 57

any in-use measurement for food and drink products could ever be of genuine use to a consumer, whereas labels allowing them to select locally-produced or organically grown carrots could engage their interest and have a significant impact in at least one environmental dimension. For shampoo, only seven per cent of its carbon footprint is in the manufacturing, bottling and distribution; 93 per cent comes from heating the water and using the product itself.⁸⁹ Information of this kind would be of little use to consumers: their choice becomes irrelevant as most shampoos would have a similar in-use impact. It is more important to encourage consumers to install more efficient boilers and use less hot water. In vehicles or white goods, the in-use phase is crucially important to total environmental impact and it is easily measured and described and is directly relevant to consumer choice. The issue of in-use emissions and how these might be addressed in labelling needs further thought and research. This doesn't mean that manufacturers of products whose embedded carbon is relatively small when compared to the carbon associated with its use should not be encouraged to reduce the embedded carbon in their products. The scale of the challenge we face is so great and the consequences potentially so grave that every effort is needed to decarbonise the economy. None of the problems with lifecycle assessment diminish the need for carbon labelling of products and services.

63. For example, embodied carbon measurements could allow consumers to compare products on the basis of their 'pre-purchase' carbon footprint and send a signal to manufacturers to reduce carbon in the supply chain. The question is, on what should consumers be asked to base their decision? When buying a fridge should they be most concerned about how it is made, how much energy it consumes when in use, or the impacts of its disposal? Ideally, consumers should consider all three areas; being realistic, it is unlikely that consumers would do this and labelling should be focused on the areas where it will make the biggest difference to the behaviour of consumers and producers.

64. The Government must identify areas where lifecycle assessments could be translated into consumer labels that would encourage the most environmentally benign choice and that would send the right signal to manufacturers.

65. Carbon labelling could have a profound effect on manufacturers and their supply chains. We believe that the Government must do more to support and encourage carbon labelling, including providing a statutory basis if necessary as part of a sector-based universal and comprehensive labelling scheme.

Conclusions and recommendations

1. The Government needs to put more resources into promoting better environmental labelling. The Government should encourage the development of a sector-based universal scheme comparable to those emerging in food labelling that can incorporate a wealth of information in a simple and instantly understandable label for consumers. (Paragraph 10)
2. The Government should be prepared to enforce such a labelling scheme by statute although we accept that the ideal would be for manufacturers and retailers themselves to introduce a clear and robust scheme without the need for government enforcement. (Paragraph 10)
3. The Government should make sure that environmental labels are backed up by an appropriate set of standards and criteria, covering issues like independent monitoring and verification of claims, so that consumers can have confidence in them. The Government must also ensure that the labels will also make a difference to the producers who use them. (Paragraph 12)
4. It is crucial for labels to reflect the most important environmental priorities, both in terms of consumer behaviour and the environmental priorities identified for each sector. So if, for instance, a 'traffic light' or 'petal' scheme was adopted and embedded carbon was felt to be the most important element, in each sector this could make up a larger or more prominent portion of the label. (Paragraph 15)
5. As in food labelling, it is important that a sector-based universal labelling scheme is developed and that clarity and simplicity are not lost in a plethora of different single-issue labels and complex information. Equally we must avoid the situation, as in the Ecolabel, where the simplicity is so great that meaningful comparison becomes difficult. (Paragraph 19)
6. This extension of the EU Ecolabel's coverage will provide a vital test of consumer willingness to accept wide-ranging generic labels. While we have real doubts about the wisdom of such 'one-size-fits-all' generic labels, the Government should support the continuing development of the label to test its viability fully, including promotion to raise the profile of the label. (Paragraph 21)
7. The Government is right to recognise the difficulties of developing a 'one-size-fits-all' label but this should not prevent it from making progress on making environmental labelling clearer or from making progress with a sector-based universal scheme. The Government should, after a suitable period of time has elapsed, review the revised EU Ecolabel to determine whether it is working any better. The Government may need to go back to the EU with proposals for further revisions that are more flexible and informative, based on the 'traffic light' or 'petal' model, and which might attract more support from consumers. This may require a sectoral approach. (Paragraph 22)
8. As in the white goods market, environmental labels are particularly effective when consumers do not have to pay a premium for higher standards. They may also be

more effective if they can be made to coincide with a financial benefit to the consumer. The Government should examine the scope for strengthening the effectiveness of environmental labelling through fiscal measures. (Paragraph 26)

9. Labels are more likely to influence a purchasing decision if the customer has prior awareness and understanding of the label. Where the Government supports a labelling scheme as part of its sustainable consumption strategy, it must actively promote and explain the label to consumers, using publicity to raise their awareness and understanding of labels before they make decisions on purchases. How information on, for example carbon, is presented in marketing materials and advertising is important. The Government should examine whether there is a case for regulating how information is displayed to ensure it is prominent and consistent with a sector-based universal labelling scheme. The way information is presented must be underpinned by standards to ensure the information is displayed prominently and in a way that allows different products to be compared easily and that ensures that environmental information is presented consistently across all forms of marketing media. (Paragraph 29)
10. The Government has a role to play in policing the use of environmental labels and intervening directly to remove those found to be inaccurate or misleading. It should provide Trading Standards and the ASA with the training, resources, powers and sanctions required to review all instances of dubious environmental claims. The Government should issue guidance to both independent and business-initiated schemes, to ensure that appropriate levels of accuracy and relevance are adopted by all labelling schemes. (Paragraph 30)
11. The Government should require certification schemes to make public information explaining the structures, standards and methods behind the label; ensuring that consumers can have confidence in the audit and inspection processes that underpin the claims a label makes. The Government should also set standards and guidelines for the levels and categories of information to be provided by any business that seeks to promote its operations and products through a third-party labelling scheme. (Paragraph 32)
12. Labels need to be regularly reviewed and adapted to ensure they keep up with changes in the market and adequately reflect consumer concerns. We welcome the Government's involvement in remodelling the vehicle emissions label, and we urge it to maintain a programme of regular reviews across its own labelling portfolio. The Government should also identify areas where non-government labels are in need of review, and should place pressure on the label owners to undertake regular reviews. (Paragraph 33)
13. The Government's priority should be to resolve shortcomings in existing labelling schemes, rather than introducing extra labels to compensate for deficiencies. (Paragraph 34)
14. Effective environmental labelling must be part of a wider partnership between government, consumers and business if the goal of a more sustainable economy is to be achieved. Arguments about the accessibility of labels must not lead to an over-

simplification or lowest common denominator effect; the aim should always be to raise standards. (Paragraph 37)

15. In many ways, environmental labelling's real potential lies not in changing consumer behaviour, but in changing business behaviour and thereby improving the sustainability of the manufacturing process and the products available to the consumer. In improving the overall environmental performance of the economy, the Government must work more closely with business to show how environmental labelling can help them to drive changes in their business and in their supply chains. In order to do this effectively, labels should be underpinned by proper systems for analysis, audit and accreditation. (Paragraph 40)
16. Product road-mapping is an important innovation in efforts to improve the environmental impact of supply chains. The Government has a vital role to play in this process. We welcome the Government's current pilots on product road-mapping and we urge it to extend this work to further product ranges as soon as this is feasible. (Paragraph 43)
17. We note the effectiveness of voluntary initiatives in driving up environmental standards in industry and we are encouraged that the Government is involved in these processes. (Paragraph 44)
18. The Government should seek to establish an agreement between major retailers, encouraging them to make more information on major environmental labels available to consumers, both in store and online. In particular, retailers should be encouraged to provide this information close to where the products are found (for example, in the aisles themselves), rather than solely at information desks or on request. (Paragraph 47)
19. It is unacceptable that certain car dealerships are still failing to display mandatory EU information on vehicle performance. The Government must ensure that trading standards have the training, resources, powers and sanctions necessary to tackle failures of this kind in every aspect of compulsory product labelling. (Paragraph 50)
20. Carbon labelling cannot account for all environmental impacts or be a universal environmental label. But the value of the carbon label will be increasingly important as consumers' awareness and knowledge of embedded carbon grows. Embedded carbon labelling is a form of environmental label that can be applied to all products and all sectors, and may be the single most important measure, given the challenge we face in decarbonising the economy. It is necessary to support efforts to raise an individual's awareness of their overall consumption of carbon, like the Act on CO₂ campaign, and to support the goal of reducing the carbon intensity of products. (Paragraph 54)
21. The Government should encourage carbon labelling for all products and services as a priority but ultimately as part of a universal and comprehensive environmental labelling scheme. It should legislate for this if necessary. An asymmetric devolution of powers presents a challenge to the development of legislation for a UK wide labelling scheme and the Government should open discussions with the Scottish Executive, the Welsh Assembly Government and the Northern Ireland Executive on

how a UK wide sector-based universal labelling scheme can be developed. (Paragraph 55)

22. We welcome the launch of the Carbon Trust Standard label, the Carbon Reduction Label and the new Publicly Available Specification on carbon footprinting. They provide different ways for businesses to promote their commitment to emissions reduction and will help to focus efforts on cutting emissions across company operations. Government and the Carbon Trust should ensure that the difference between labels that focus on individual products and schemes that focus on the performance of organisations overall is well understood by consumers and manufacturers. (Paragraph 59)
23. The Government should investigate how any sector-based universal labelling scheme could be used by companies, national and local government and other organisations to report on their environmental performance. An annual report carrying the 'traffic light' environmental impact label would inevitably hide much complex methodology and require rigorous auditing but it would send an admirably simple and effective message to shareholders and other stakeholders. (Paragraph 60)
24. The Government must identify areas where lifecycle assessments could be translated into consumer labels that would encourage the most environmentally benign choice and that would send the right signal to manufacturers. (Paragraph 64)
25. Carbon labelling could have a profound effect on manufacturers and their supply chains. We believe that the Government must do more to support and encourage carbon labelling, including providing a statutory basis if necessary as part of a sector-based universal and comprehensive labelling scheme. (Paragraph 65)

Formal Minutes of the Sub-Committee on Environmental Information

Tuesday 24 February 2009

Members present

Colin Challen, in the Chair

Jo Swinson

Joan Walley

Environmental Labelling

The Committee considered this matter.

Draft Report (*Environmental Labelling*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 65 read and agreed to.

Summary agreed to.

Resolved, That the Report be the First Report of the Sub-Committee to the Committee.

Ordered, That the Chairman make the Report to the Committee.

Written evidence was ordered to be reported to the Committee for printing with the Report.

[Adjourned to a day and time to be fixed by the Chairman.]

This is an embargoed advance copy. Not to be published in any form until 00:01 on 23/03/2009

Formal Minutes of the Environmental Audit Committee

Tuesday 3 March 2009

Members present:

Mr Martin Caton
Colin Challen
Mr David Chaytor
Martin Horwood

Mr Nick Hurd
Mark Lazarowicz
Dr Desmond Turner
Joan Walley

In the temporary absence of the Chairman, Joan Walley was called to the Chair for the meeting.

Environmental Labelling

The Committee considered this matter.

Draft Report (*Environmental Labelling*), proposed by the Sub-Committee, brought up and read.

Ordered, That the Sub-Committee's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 65 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 10 March at 10.00 am]

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This is an embargoed copy. Not to be published in any form until 00:01 on 23/03/2009

Oral evidence

Taken before the Environmental Audit Committee

(Environmental Audit Sub-Committee on Environmental Information) on Wednesday 14 November 2007

Members present:

Colin Challen, in the Chair

Martin Horwood

Jo Swinson

Memorandum submitted by National Farmers' Union of England and Wales

The National Farmers' Union (NFU) is the largest farming organisation in the United Kingdom, representing approximately 50,000 full time farmers and growers who account for about 80% of the agricultural output.

Following fundamental changes to the Common Agricultural Policy (CAP), farmers and growers have become increasingly market focussed, seeing themselves as the very important first stage of an integrated supply chain, in addition to their traditional roles of growing crops and rearing animals. This new focus has led to a real need to be involved in consumer issues, of which labelling is a very important one.

As outlined in the announcement of the inquiry by the Environmental Audit Committee (EAC), increased awareness of the new environmental agenda, particularly in relation to food, has already brought with it numerous initiatives. Many of these run counter to other responsible initiatives; many are ill conceived; many will have unintended consequences; many, if not well considered, will add to the real possibility of consumer confusion.

1. LABELLING PRINCIPLES

The NFU believes that the following principles should underpin all labelling decisions:

- Labels must be accurate, honest, clear, unambiguous and concise.
- Labels and presentation must not mislead consumers in any way about the food they buy.
- Labels must not be contradictory either in themselves or in relation to other reliable information from reputable sources.
- A clear distinction must be made between statutory, voluntary, advisory (assurance, provenance schemes etc) and marketing/promotional labelling.
- The risk of solving one problem with another through the use of labelling must be avoided.
- Labelling cannot be viewed as a panacea or the only way to communicate with consumers. There is already a clear dichotomy among consumers between the desire for clear, uncluttered labelling and the requirement for more information. This must therefore lead to the question: "Is labelling the right medium or are there better alternatives eg the Internet, point of sale material etc?"

2. ENVIRONMENTAL LABELLING

The NFU strongly supports the view of Defra that the overriding priority must be to develop clearly understood, cross-industry, universally accepted and easily applied measurement criteria. The label, and the factors and calculations behind it, must be measurable and auditable. Only then can a labelling scheme be produced, if indeed it is deemed to be the best way of communicating to consumers about the environmental impact of food products. The NFU does not support the use of environmental labelling in its current ad-hoc and unscientific form.

3. EAC SUB-COMMITTEE PRINCIPAL LINES OF INQUIRY

(i) *Products requiring labelling*

There must be a uniform approach across all food product sectors. This can only be achieved once universally accepted measurement criteria have been agreed. To omit sectors, or apply different treatment, would serve to fuel consumer confusion and lead to many instances of misleading labelling. If products cannot be compared by a consumer when making purchasing decisions then there is no point in a product carrying the label.

(ii) What should be shown?

Carbon labelling is undoubtedly the most publicised, as an indicator of the energy intensity and energy efficiency of food production and distribution, but on its own might not be sufficient to provide a standardised approach across the food chain. However, the NFU recognises that more progress and agreement has been reached recently on carbon than on other factors contributing to the overall environmental impact of products.

The difference between primary agricultural products and, for example, white goods that are made in a factory, must be acknowledged ie the factors included in an environmental impact assessment of a food product will differ, even from producer to producer.

(iii) *Rationalisation of environmental labels*

It will be essential to develop one universally agreed scheme. This must be based on one industry standard based on the same methodology. The lessons learnt from the current nutritional labelling debacle must be acknowledged in the much more complicated development of any environmental labelling scheme. Certainly, any kind of scheme needs a baseline from which to develop and a methodology, which clearly outlines the processes taken into account, including as full a life cycle analysis as possible.

(iv) *Impact of environmental labelling on consumer behaviour*

Any environmental labelling scheme must be thoroughly tested. Again the lessons learnt from the nutritional labelling debate indicate just some of problems, which could be encountered, were this not to be done thoroughly and consistently.

The aim of environmental labelling must be considered and agreed ie is it trying to make consumers buy less of certain products and more of others for the good of the environment or will it only ever be a marketing scheme? What would be considered a success or an appropriate outcome in terms of consumer behaviour? If it is simply desirable to raise awareness of the environmental impact of food production then we feel strongly that the food label must not be used for this purpose.

Consideration should be given to a web-based system or further information in store rather than relying solely on product labelling on pack.

(v) *Regulation of environmental labelling*

Regulation can only be considered once universally acceptable measurement criteria have been agreed. Even then, regulation should be seen as the last resort with cross food chain agreement on a voluntary scheme being the preferred option. However, any voluntary labelling must not be misleading. This is a statutory condition under existing food law and must be enforceable in order to protect consumers and food businesses.

EXPORTS FROM DEVELOPING COUNTRIES

There is an increasingly strong argument to suggest that imported food may not have the massively adverse environmental effect that is often assumed. Much of the product emanates from tropical/sub-tropical countries that are not major polluters and where there is a comparative advantage in growing conditions. Invariably, these countries need the trade with the developed nations to assist in their economic development. However the long term aim should be to extend environmental certification and equivalent standards of production from the developed to the developing world, as is the case for the emerging transport biofuel commodity market.

Consideration should be given to adopting an “everything but arms agreement” with the 50 least developed countries similar to that adopted in the 2006 sugar negotiations.

(vi) *International labelling*

The principle of an international labelling system must be an aspiration. However, given the complexity of the issue and the work required even to achieve an agreed UK outcome, this must be viewed as a long-term objective. A European standard must be considered achievable, however, considering the significant movement of food products within the EU.

The NFU is grateful for the opportunity to make this submission to the EAC Sub-committee. We would be pleased to provide any additional information, which the Sub-committee might require.

11 September 2007

Witnesses: Mr Peter Kendall, President, and *Mr Robin Tapper*, Senior Food Chain Adviser, National Farmers' Union of England and Wales, gave evidence.

Q1 Chairman: Can I welcome you to this Environmental Audit Committee (Sub-Committee) looking at environmental labelling. This is actually our first oral evidence session, so it is good to see you here. Could I just say in starting that there is a lot of momentum behind environmental labelling and in fact we have all just been given one of these from Defra, the pocket guide for environmental labels, and so on. So there is a lot of momentum and perhaps a fair bit of demand for this sort of thing, but the NFU, I understand, really would not agree with environmental labelling in its current *ad hoc* and unscientific form. Are you actually discouraging your members from getting involved at the moment in the main, or is it very pick and mix, if you like, about what you do support and what you do not?

Mr Kendall: Can I just set the scene a bit, if I could, first and say that as an organisation I think we have tried to be very pro-active in not just accepting but promoting our environmental responsibilities as farmers. The notion that we could produce at all costs and the environment picked up the consequences is one that we have shrugged off some time ago, but I think we have been much more proactive in driving those messages across to farmers. We have been involved in voluntary initiatives where we have insisted on farmers having on-going training, specialist testing of machinery. We have been very proactive, I think, almost to the extent that I have lost some members because we have been so determined to drive higher environmental standards. We have been very supportive of the agri-environment schemes as well, although at the time it has cost us in having the redistribution of money from Europe to fund some of these environmental programmes. So we think it is a fundamental and core part of what we do as farmers, protecting and enhancing the environment at the same time, and I think this is one of the challenges we will face increasingly going forward, while we produce more food, maintaining the environment at the same time. The challenge we have, and I think one of the very important aspects of farming in the United Kingdom, is that we will not be the lowest cost producer of a commodity. We do need to differentiate our product and we do need to set very real standards for our environmental credentials—unless specifically you want to talk about carbon, but I think it is important to set the scene of where we are so far. We believe that the Red Tractor Scheme, which involves farmers having inspections yearly, does mean that the way it is folded into the Union Jack at the moment UK production does meet the UK cross-compliant standards, it does mean that we have environmental impact assessments, it does mean that we have to belong to the voluntary initiative for using sprays and pesticides. So we are embarking upon a journey

which is about differentiating our product and showing, although some would argue they are fairly basic factors, that we do have basic environmental welfare, but I would argue very high traceability credentials. So we have got behind very seriously labelling—and it has been a major driver for us as an organisation—but it has been in the broader sense to differentiate the traceability of the welfare and environmental standards that we currently produce to. One of the reasons why this is so important at the moment is that we have faced a major reform of the CAP, we have seen decoupling where support is no longer tied to what you produce. So farmers do need now to maintain or to achieve a market price for their products which keeps their businesses sustainable so that they can invest in that environmental protection and storage requirements to make sure that we have a negative footprint. Therefore, we have to find a way of making sure that consumers can clearly identify what we are producing and the fact that it is different to something which might be produced to very different standards somewhere else in the world. I will give you one really vivid example. We banned in 1996 stalls and tethers in the pig sector. We have seen the pig sector decline by about 46%, yet today of the imports we now have to make up the shortfall of our pig production 70% of it would be illegal under UK standards. So I need to make sure consumers can see that we are producing to different standards, so labelling is absolutely fundamental if I am going to achieve sensible prices to make sure that we are sustainable going forward.

Q2 Chairman: Where does the main demand for labelling of this sort come from? Do you feel it is coming from the consumers, or from retailers, or from the industry itself?

Mr Tapper: I think in the case of the Red Tractor, which Peter alludes to, it probably came from a combination of the industry and the consumer because it came at a time when we had a lot of scares in terms of product safety during the nineties and we had to find a way of first of all bringing together all the various standards which existed into one common one and then to make the consumers aware of that so that they could be assured that first and foremost the product they were buying (in this case with the Red Tractor on) met at least the fundamental safety requirements, and then the requirements that we would expect of basically good farming practice. So I think in that case it was both. I think here, in the case of environmental labelling, it is probably a combined issue. I believe actually the consumer is less engaged at the moment. I think certainly the awareness of the environment and climate change is increasing rapidly and probably since the Stern Report we have seen a massive

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awareness, but I still think the customer as far as labelling goes is still not quite there. Some are, and I suppose, to answer your question directly, some customers are demanding it and I think we have to provide it so that those customers increase over time as the awareness and the need increases.

Q3 Chairman: Do your members have much control over the way these schemes are introduced and developed?

Mr Kendall: No. One of the key things we were involved with following the Don Curry sustainable food and farming strategy was to move this from being a farmer-backed system to being one that is industry-wide so that it has a retailer representative process, a retailer, and environmental representation on the standard-setting groups. So we have deliberately—and it is not always popular with the farming community—made this more encompassing of the whole food chain.

Q4 Chairman: In terms of how your members will be stretched in terms of their practices, and so on, are we actually seeing these challenges really quite tough ones or simply putting existing standards into a label, as it were, and not really stretching them very much?

Mr Kendall: It is a challenge for me in my role as representing farmers on how often I get trounced when I go and tell somebody it will add a lot of cost to their business, but it has been and one of the criticisms we have had from farmers is that it continues to be a ratcheting up of standards. I think a very large percentage of farmers are implementing the regulations and rules as they are applied. We do have, as I say, quite a lot of criticism for ongoing ratcheting up, but this is about trying to make sure that we do meet standards, that they are verified and inspected and there is real traceability through the food chain. I would not want to put a figure on it, but the late adopters do find significant challenges in the scheme, so it is actually, I think, driving forward advancement.

Q5 Chairman: How great have been the benefits in terms of promoting things as premium products, if you like? Have there been some real advantages there for your members?

Mr Kendall: No, it has not been significant and it is one that we want to put more resource into going forward. We have a major reform of the Levy Board system and we want to find a way of actually being more proactive in bragging about the provenance, the traceability, the standards which we produce to.

Mr Tapper: I think what it has meant is that although we have not seen value added to the farmers' work, as it were, the product, because most of the major supermarkets have adopted it we have seen it almost as the entry ticket in terms of supply. So from that point of view, frankly, a member who is not Farm Assured would have very little chance of getting his products sold into the major supermarkets.

Q6 Chairman: What has been your members' experience of using other labelling schemes, for example offered by the Soil Association? Are they in competition with things you do, or is it something which is broadly welcomed?

Mr Tapper: I think broadly speaking the Red Tractor forms the sort of baseline for everything and that certainly was our intention. In fact, we welcome schemes which add, if you like, value to the Red Tractor. So if you have got Freedom Foods, for instance, as an increased animal welfare add-on but it has as its base level the Red Tractor, then fine. Similarly with LEAF, which has its fundamental requirements the same as Red Tractor but puts greater emphasis on environmental responsibilities, then again we are very, very happy with that and in fact encourage it.

Q7 Jo Swinson: You mention in your memo that there are some problem schemes that you are not happy about, which are not well thought through or are actually contradictory to other schemes. Which are the ones you had in mind when you wrote that?

Mr Tapper: Not so much schemes as initiatives, I think. Obviously, the other big debate going on at the moment is the health debate and there are a lot of issues which come up on the environmental side which go totally counter to what is happening on health. So there are people saying we should have less animals on the farm, or that people should be eating less meat, and in doing so, of course, we could run in to protein deficiencies, on the milk we would certainly run into possible calcium deficiencies. So we have got issues such as those. There is, of course, also the very real one of landscape and food production. If you have not got animals, then who manages the landscape? In the final analysis in some areas the animals are the grass cutters. Also, some of those areas do not support any other form of food production but that, so it would actually put our food supply at risk. There are lots of those sorts of issues. I actually think—and this is somewhat cynical, I would be the first to admit—the sort of scheme which has come up, the carbon labelling scheme which has come out of the work between PepsiCo and the Carbon Trust, if you were a little bit cynical and you were a potato crisp supplier and you knew you were not going to be winning on the health debate, where would you go? You might perhaps go to the environment debate because you maybe have to prove your credentials, that you have taken a responsible attitude. I think it is those sorts of things. Although it would be naïve to assume that competitive advantage does not come into it, to be purely focused on the competitive advantage I do not think is in any way helpful and I think ultimately very confusing for the customer.

Q8 Jo Swinson: Are there any schemes which are up and running now which actually are accredited schemes where you have problems with the way they are running, or is it just those initiatives you have mentioned?

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Mr Tapper: It is those initiatives, and what does it mean for the customer? I think that is the question we have got to ask at the end of the day. I am no food scientist, but if I see a bag of crisps which weighs 25, 30 grams and I see 75 grams of carbon, I think, "That's quite a lot of carbon for a small bag of crisps," or if I see a bottle of wine which says, "Zero environmental carbon impact." What does that really mean? I do not have a clue as a consumer.

Q9 Jo Swinson: A fair point. In terms of schemes which have been developed environmentally—you have talked, obviously, of some of the food labelling terms like the Red Tractor—is there anything which you think has been developed on the environmental side which has been successful which you would support so far?

Mr Tapper: I think in their way things like the LEAF scheme have improved the awareness. Awareness is fine, but action, I think, is what we need and no other scheme, as far as we are aware, with the possible exception of the Soil Association organic scheme, does have rigorous standards which are regularly reviewed and I think that is what we need as a starting point.

Q10 Jo Swinson: Labelling is obviously one way of presenting information to the consumer, but as you say there are obviously some issues with that in terms of confusion. What other options are there other than labelling for achieving that information interaction between the consumer and the farming community to come a bit closer together rather than having this great divide?

Mr Tapper: This is a massively complex subject. I was very much involved with some of the work we did as an industry body with the FSA when we were talking about how we did food labelling and that has become a minefield where we have a lot of facts on which to base our decision-making and the way we go forward. Here we are at the very, very beginning and we just do not have that information. So I think that is the key element really.

Q11 Jo Swinson: Do you think there is a potential for labelling to actually change attitudes of consumers?

Mr Tapper: I think there is, but because it is so complex I think we should be a little bit more creative in this. Just to be able to say, if we take the Carbon Trust one, for instance, 75 grams of carbon, what does that mean? You want to be able to explain more than just what a snapshot with a label can give and certainly I think the Internet, the Web, plays a massive role in this and the point would be that you would have a front-of-pack Web address. That is how you would get it over in terms of making customers aware. Secondly, I think labelling, in-store signage, can also make a big difference, but just to put a label on I think is not necessarily the answer. It depends really on what measurement we get. If we get a sensible measurement which comes out with clear measures, then perhaps, but certainly I think the jury is out at the moment.

Q12 Jo Swinson: Obviously it is a very complex issue, but in a sense with the best will in the world putting a URL on the front of the pack and hoping people are actually going to go and log onto that website when they do their shopping, maybe get their little Blackberry out and have a look—I can imagine actually that might make shopping much more exciting for men, but that is probably not going to happen. So while it may not be perfect, do you not accept that having some kind of labelling system perhaps backed up by these other things which makes it simple for the consumer at a glance, once they are familiar with it, like the red, amber, green traffic lights food scheme, does have a great benefit in terms of consumer information?

Mr Kendall: Where I think there are concerns is with what sort of products you would label. Agriculture is peculiar in as much as it happens in the outside world, it happens in the unprotected environment very largely. We are not taking 50 tonnes of steel into a factory and producing nuts and bolts coming out at the end, where you can measure your energy in and you can measure each unit and the amount of energy you have consumed. With that packet of crisps which Robin alluded to the potatoes could have come from Herefordshire, from Norfolk or from Scotland and the conditions in growing those could vary enormously and the impacts of how much cultivation was done on those plants will vary enormously. We are not producing, as I said, in a sanitised environment of a factory. So it is going to be a real challenge and we need to find out if we are going to have a move towards putting some sort of carbon labelling on a common standard with some sensible methodology. The early methodology the Carbon Trust talked about did not take any account of positive impacts which a farm might have. So if you had a dairy farm which used its animal manures to actually produce anaerobic digestion producing renewable energy, you would have your negative carbon balance but you would have no credit for the fact that you might have been taking green waste. There is a very good example in the part of Bedfordshire where I farm. Bedfordia Farms have 900 pigs and they take all that slurry to big silos and they mix with it the green waste out of Milton Keynes and Bedford. The methane is then burnt to produce renewable electricity. They end up with a very high value digestate to put on the ground as fertiliser. They are getting rid of the problems with the slurry next to the water courses and they are getting rid of green waste. In the system which was proposed originally there would be no credit for all the carbon benefit of actually making those sorts of amends. Farming is a very difficult area to address and what we would be very concerned about is lots of different schemes giving confused messages rather than a very clear steer of what is actually going on.

Q13 Martin Horwood: I would like you to turn to the kind of area I was going to ask you about. You have argued quite strongly for a single scheme. Are you saying that this would work across all food and drink on a universal basis?

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Mr Tapper: Yes, because I think if we come back to one of the original questions, who do we think is really wanting this, if we believe, as we do, that it has to come from the consumer first and foremost or we have to inform the consumers so that they can make sensible choices, then we must be able to have a system which enables them to compare product with product, otherwise there is really no point in doing it.

Q14 Martin Horwood: When you say “compare product with product” do you mean within a particular class or market, or do you mean across the whole range? For instance, if you had a range of oranges which were probably all either imported or produced energy-intensively, if they had a traffic light system would you want those all to be red, or would you want oranges as a market to be defined so that the best ones got a green light and the worst ones got a red light?

Mr Tapper: I think we have got to come back to a standard system of measurement. I am sorry to keep referring to the nutritional side, but that is really the only one we have got. As I say, I am no food scientist so do not over-question me on this, but within food labelling in terms of nutrition labelling and ingredients labelling there is a sort of system called McCance & Widdowson, which basically works out the calorific value of products and all the rest of it. So if you are producing a product you can look up McCance & Widdowson and you know what the various key elements of that product will be if you know what the ingredients are. What I think we should have is the equivalent to the McCance & Widdowson for environmental labelling, so we know what all the ingredients in terms of the whole environmental package is and we give each of those a carbon value (if carbon is what we are measuring) and that should be standard across all products and probably should be based on the lowest common denominator, so therefore the worst performance. If you can then say, “I’d do a far better job,” or if you take Peter’s example where somebody is using their waste to make a significant difference in terms of ameliorating some of the problems they might have created further back in the chain, you can then flag that up. So again, using the food analogy, if you have a standard product in order to be able to call it reduced fat, for instance, it has to be 30% less than the standard. So if you can demonstrate that the action you have taken makes your impact 30% better than the environmental standard then that could be a way forward. That is the sort of degree. It is very, very complicated.

Q15 Martin Horwood: The complexity that would be hidden behind it is one thing, but in terms of the actual labelling and what the consumer would see, I am still struggling with whether or not you are saying you want exactly the same standard to apply regardless of the product.

Mr Tapper: Yes, we are.

Mr Kendall: Absolutely.

Q16 Martin Horwood: I am flying blind here really because I do not know, but if turnips were a particularly energy-efficient crop to produce, would you not end up with the situation where all turnips were labelled the same because they were all relatively efficient compared with soft drinks, or something like that?

Mr Tapper: Yes.

Q17 Martin Horwood: So what incentive would there be for a turnip producer to improve? Would it not be more sensible to have a kind of best-in-class labelling, or not?

Mr Tapper: But if you took my reduced fat one –

Mr Kendall: The best crisp!

Mr Tapper: —if someone then said, “Right, well, I am not using the same amount of inputs, and I am significantly not using them, so I’m using 30% less inputs for my turnips than the chap next door,” then he could actually put that up as being a low environmental impact, low carbon.

Q18 Martin Horwood: Just to pick up Jo’s point and your point about nutrition labelling, we know there is quite a few very standard schemes now which are beginning to emerge as front-runners, including the traffic lights scheme. Would you like to see a traffic lights scheme for environmental labelling? Would that be better? Because I share your problems with 75 grams and what does that mean. Would you prefer a yellow, green –

Mr Tapper: I think we would have the same view. From an organisational point of view, our view was for the nutrition labelling that we should go down the GDA route to give consumers the opportunity to decide for themselves, to choose what impact they are having.

Q19 Martin Horwood: But is that not exactly the same problem you have been alluding to, that it is actually quite complicated to work out from the numbers whether it is good or bad? Does not the traffic lights system actually give a much clearer message? There may be complexity hidden behind it, but in terms of the consumer making an immediate judgment as to what is good and what is bad, traffic lights are surely much simpler, are they not?

Mr Kendall: But it does not tell the story. For instance, if you have butter it is virtually all red, so it is a red spot. If you have low fat butter or a low fat spread, which has probably got only a third or two-thirds of the fat which real butter has, that is still a red spot. Now, you may say or one might take the view that in terms of trying to improve my diet or to reduce my fat intake the first stage in doing that is that I will go down the low fat route. By just sticking a red spot on it does not help you in making that decision one bit.

Q20 Martin Horwood: Maybe that again argues for a best-in-class approach. Another thing is that some of the people who have submitted evidence to us have argued that universal labelling standards do not actually necessarily work in marketing terms and that actually the most successful labels we have

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got evidence of at the moment, like the Fairtrade mark and organic labelling, and in fact your own Red Tractor, have actually emerged from independent initiatives and the market has in a sense decided which ones are successful. Is that not a fair criticism against a universal scheme?

Mr Kendall: We are talking about an area where we are looking at carbon and the environment. It is very important that we do not have people making up their own rules. That is why we opened the Red Tractor Scheme, from making an initial initiative for the farming industry to one which was a whole chain. It was really important that this had buy-in. I will give you one example where I think there is a real nervousness about the whole concept of environmental labelling, and I deliberately gave you my preamble about why I think it is so important that farming does differentiate itself and make sure it keeps its environmental considerations at the forefront of what it does. How would you label a low energy light bulb, for example, because actually when it is manufactured it might be more intensive and it might have a high carbon value because it takes more to manufacture and is more expensive than a cheap light bulb? It is on its consumption that actually it delivers its benefits. There are similar stories about disposable nappies, that you might actually put a lower label of carbon on a disposable nappy than on one which is washable and re-useable. Boots have done some work on shampoos. They say that actually of all the total life cycle only 7% of its carbon is in the manufacturing and bottling and delivering to store and 93% is actually heating the water and using the product itself. I think we are in a very difficult area. We think that because it is such a difficult concept to grab hold of we do need some really quite uniform rules.

Q21 Martin Horwood: You do not worry that uniform rules might be quite clumsy and might actually lead to some of the very problems you are describing?

Mr Kendall: Certainly in agriculture I do have concerns that we could end up with some generic views which send some perverse messages because, as I have said, we are not steel going into a factory and nuts and bolts coming out the other side. We do need to have some sorts of sensible rules and not individuals trying to get a competitive advantage by having a proliferation of different interpretations.

Q22 Martin Horwood: Can I just turn to another issue? Obviously what we are talking about a lot is carbon labelling and even possibly having a carbon price on products, but some of the evidence we have received suggests that that is actually a too simplistic approach and that there is a broader environmental sustainability impact, for instance nitrates and fertilizers and things like these. Would you support incorporating all those wider environmental impacts into the labelling scheme as well?

Mr Kendall: Again, we are actually doing some work at the moment as an organisation with the Agricultural Industries Confederation and the CLA to actually try and understand what these impacts

are. Some people will say to you in a very generic way that all nitrate fertilizers are bad and all the current production and fertilizer manufacture is being done at a flamed gas in the Middle East and it is being turned into urea. Now, urea is much more volatile and gives off a lot more nitrous oxide. A more expensive version which I will be using on my farm is ammonium nitrate, which is much more stable. We actually at the moment do not understand the science behind saying, "Fertilizer is bad," and which fertilizer—

Q23 Martin Horwood: Is that a yes or a no then? Would you prefer to stick to something simple like carbon—

Mr Kendall: I think we cannot go to methane and nitrate oxide until we understand the science behind it. At the moment you could have more nitrous oxide damage from the bad handling of organic manures than you could have through using the correct inorganic fertilizers applied. That is the problem. If you say the organic system is preferable because it is not using bought fertilizer, actually you can get just as much damage from flatulisation and methane and nitrous oxide from using manures. It is a very complicated area. The science, I do not believe, is there to allow us to make those judgments yet.

Mr Tapper: Conversely, because more work has been done on carbon and because we all acknowledge this great complexity, perhaps we start on the stuff that we do know about, or know more about, which is the carbon. So certainly as the first step I think carbon labelling is what we would support.

Q24 Martin Horwood: Okay. You have clearly got a very deep knowledge of these issues. Do you think it has had much impact upon your members, this whole debate? Are they concerned about their carbon footprints?

Mr Kendall: I think in the way the media has picked up the over-simplistic term of "food miles" it has some resonance, but I am not sure it goes very deep or that enough people even in the media understand that we can over-simplify food miles. I am a farmer in my role as President of the NFU and I do have some very sensible advisers who steer me in the right direction. When Hilary Benn was Development Secretary he went on the record to criticise UK rose growers on Valentine's Day last year and said that actually you would be doing more benefit if you bought them from Nigeria, or Kenya I think it was at the time. My members wanted to go off on one and say how outrageous it was that a minister could be promoting an imported product.

Q25 Martin Horwood: He was quite right, though, was he not?

Mr Kendall: He was absolutely right. On Farming Today this morning they were talking about large greenhouses being built down near Thanet where they are using all renewable energy and they can actually demonstrate a better carbon footprint by using waste energy sources and recycling CO₂ into the plants. So my challenge to my members was not

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to chastise Kenyan imports but to actually tell them that if they are going to produce roses in February to do them in an environmentally-friendly and smart way.

Q26 Martin Horwood: So would it be unfair to characterise this whole question by the fact that your members are concerned about environmental impacts when the market tells them to be concerned about it, but not in their own right?

Mr Kendall: As I said, I think we are honest enough that we have to throw the challenge to them not to be protectionist but to make sure we demonstrate true wins.

Q27 Martin Horwood: Are you saying that they will only really respond to these challenges when labelling or consumer power in some form actually forces them to change and take account?

Mr Kendall: Other than the fact that carbon usually costs money, and I am a farmer and that is why I am actually looking at the moment and have a system on a tractor that steers itself because it saves 10% diesel. So when you go down a field and you turn around it comes back exactly parallel on itself within about two centimetres and in a reasonably large field that saves you a lot of energy and you do not end up with odd triangles. Now, the incentive for me to do that—okay, the investment is about £8,000—is that over a three year cycle that will save me that money and actually make the job more efficient and better. I think carbon does equate to cost to farmers. It is only just starting to bite and I think when you have seen the inflation in the cost of energy it is making farmers more acutely aware of it.

Q28 Martin Horwood: So do you think that if we really did get effective environmental or carbon labelling that would have a huge impact because that would translate into market pressure very clearly for your members?

Mr Kendall: One of my biggest concerns about standards—and I go back to my very early comment that about 70% of the pork we import is illegal under UK standards—is that we will all subject ourselves to competition and raise the bars and standards for ourselves for domestic production that is not applied on imports. Under WTO rules at the moment there are initiatives which allow the banning of imports of endangered species of animals. There are no such rules in the WTO for environmental welfare standards.

Q29 Martin Horwood: So would you like the labels on the supermarket shelves, not on the products, so that they can apply to everything?

Mr Kendall: No. If we are going to find a constant set of rules when we know the science and understand it, I think there is a potential for that, but we must wait and make sure that we have a single system which does not allow that competition and people misleading our consumers with a different and multiple amount of messages.

Q30 Martin Horwood: Okay. Can I read you something from Defra in their memorandum to us? It says: “Defra is also considering the possibility of developing some form of generic standard for an integrated farm management and environmental management scheme, which would allow consumers to know more about the environmental provenance of food products and improve recognition in the market place.” Do you think you would welcome that?

Mr Kendall: Other than the fact that again they elude to some of what Robin touched on as well, the LEAF standards. Now, the LEAF mark is an enhanced environmental scheme which currently goes on a Waitrose product—not all Waitrose products, some Waitrose products, predominantly the fresh vegetables mainly. The challenge for that is that Waitrose charges about a 14% premium. If the consumers were willing to pay that 14% and have those higher environmental standards, Waitrose would be Tesco and Tesco would be Waitrose. What I am really nervous about is that we raise standards and costs on our productive industry which the market actually is not willing to pay for. As I have touched on before, we are not keeping out imports which do not necessarily meet those standards. So Defra can say to me that I need to raise my environmental standards and label it to those higher levels, but if it is not going to be—

Q31 Martin Horwood: You do not think consumers would go for the higher level labels, they would go for the cheaper products which did not meet them?

Mr Kendall: At the moment, as I say, Waitrose is a very small percentage of the market place and they charge quite a significant premium and it is not where the consumers are spending their money at this moment in time. It is growing rapidly. It is an exciting opportunity for us as farmers and growers to look towards achieving that goal, but I am very nervous that if Defra—and I have this discussion with them all the time—raise the bar too fast too quickly we export our industry. What is the point of us actually? Let us look at the pig sector again. We now have a surplus of grain. We ship it to Denmark, to Holland and to Poland to produce the pork to bring it back again, and produced in systems and standards which we do not allow in the UK. We have to think about how we raise the standards and it is one of my challenges with Defra.

Q32 Martin Horwood: Would you have confidence in Defra to set those standards?

Mr Kendall: They obviously want to go for enhanced environmental standards and I am nervous of that without the market actually driving it.

Q33 Martin Horwood: You have made the point very elegantly that we must not set the bar too high in general terms, but what I am really asking is would you have confidence in Defra developing the right standard, or would you rather it was something done by the industry itself?

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Mr Tapper: I think we have said in our submission that we support Defra's approach in terms of labelling to come up with these universal measurement criteria, and we do. Just to answer one of your previous questions, I do not think also we should remotely see this environmental labelling as a marketing opportunity, and I think that is what it is being viewed as at the moment. People are coming from the point of view of, "Let's see this. We can sell one product more advantageously than another." I do not think that should come into it at all. We are trying here to inform consumers about the environmental impact which that product they buy has, and I think we have got to set that one up. So that is why we need the original –

Q34 Martin Horwood: Can I come back to you on that? I find that a rather surprising statement actually. Maybe it is because I am from a marketing background that I do not think that is necessarily a bad thing, but surely if your members are confident of their environmental standards and their ability to respond and the fact that they might get better environmental labels than the competition that was being imported, surely they should see it as a marketing opportunity?

Mr Tapper: Provided we are using the same criteria.

Q35 Martin Horwood: Should you not be singing it from the rooftops?

Mr Tapper: If we are using the same criteria, yes.

Mr Kendall: Yes.

Q36 Jo Swinson: I just wanted to clarify that you are open-minded to the idea of labelling which provides information but not necessarily to a generic standard which requires to be –

Mr Tapper: No, sorry, I did not finish. What I was going to say is that we are very supportive of what Defra are trying to do in terms of creating a universal standard. They must also have first of all a really large scale consultation with industry and it also must have full scale testing with consumers. Again, I go back to the debacle we have got between traffic lights and GDAs. The reason why we have got the two systems is because there was not the full consultation, or in fact there was the consultation but it was not taken on board, so we ended up with the big food manufacturers saying, "We know better," basically, "We'll go our own route." So that is why we have a situation where we have got half the production side of the world using GDAs and most of the retailers using spots of various sorts.

Q37 Jo Swinson: With the best will in the world, I suspect that actually we come back to the marketing reason for why we ended up with two different schemes, because various producers did not like the idea that their cereals, or whatever, actually were red and not very healthy after all. I think there is still just a slight confusion here about a standard or labelling because you have got some of the labels which give

a standard like, "This is certified Fairtrade", "This is certified organic", but then there is also labelling which is more informational. Are you saying that you are supporting some kind of generic environmental standard across industry but that that would be requiring some carbon reduction, because I was understanding that you were more coming from the point of view that if we could create a universal scheme for measurement then the labelling would be what you would support rather than necessarily what Defra seems to be talking about here as almost a mandatory LEAF scheme or something?

Mr Tapper: What I am saying is that we need first of all a standard set of rules which everybody adheres to and then if you wanted to use your marketing to develop those then fine, but it must be based on the same information. I think, as we discussed earlier, that must apply, so that the starting point is the same set of rules across each sector and then you have got to be able to demonstrate how yours is different, better, environmentally more friendly, or whatever.

Q38 Jo Swinson: Just to probe slightly on how you might envisage such a scheme, because you have ruled out the idea of traffic lights and you also suggested, I think understandably, that the whole 75 grams of carbon is a little bit in the air and not really relevant to people. You mentioned possibly using the GDA as a measurement, but at least with the calorific intake there is a certain amount that you should have between this and that and you can at least do a percentage, but obviously with carbon and environmental labelling that is not the case. You are not saying we ought to have certain carbon emissions of X because less is pretty much always going to be better, so how would you actually envisage it working?

Mr Tapper: If you go back to my Macanus & Witherson type experience, first of all that would provide the measurement and then you would be able to then work from that basis in the same way as you do in food. If you have a low fat version you can actually market the fact that it is a low fat version because it is 30% less fat than the standard and the measurement criteria are there. So I do not see a big issue with that. The big issue is actually coming up with the measurement in the first place.

Mr Kendall: I think we are concerned because this is a complex issue and we have seen the way there has been rationalisation in the abattoirs. I could be producing beef in Bedfordshire which then goes down to St Merrion in Wales to be slaughtered and produced and then goes on sale in Scotland. Where do we pick up the story? Where do we pick up the carbon measurement on the product as beef, for example? I think there are so many grey areas with different products going to different places and how it is produced, whether it is has been a wet season, whether I have irrigated or whether I have not irrigated. This is the point about whether I believe in British agriculture being responsible, getting ahead of the game, trying to use its inputs very responsibly.

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I do see it as a marketing edge for us in the long run. I just do not think we understand all the complexities of what we are doing on carbon usage and how we might demonstrate it at this moment in time.

Chairman: I think we are going to get the answers to those questions later on this afternoon. Thank you both very much for your evidence to us. It is much appreciated.

Memorandum submitted by Marks & Spencer

Marks & Spencer is one of the UK's leading retailers of clothing, food and home products. Over 15.8 million customers visit our 500 stores in the UK each week. We welcome the opportunity to provide written evidence to the Environmental Audit Committee's sub-committee's examination of environmental labelling.

UK consumers are now more aware and more prepared to act on environmental issues than ever before. Research partly funded by M&S under Accountability's and Consumer International's *What Assures Consumers?* programme in 2007 shows that 70% of consumers believe individuals have to take more responsibility for climate change. However, this should be set within the context of further research we have done that shows that overall consumers believe that 75% of the responsibility for addressing social and environmental issues lies with the retailer and 25% with them.

It was in response to this growing consumer interest and desire for information that in January 2006 we launched our look behind the label advertising campaign and in January 2007 followed this up by launching Plan A, a 100 point, five year commitment to address environmental and social issues.

This heightened consumer interest has the potential to drive a step change in business commitment to work with government and civil society to address major challenges such as climate change, waste and human rights. However, if consumer confidence is to be maintained in this "green" business revolution and the initial tentative steps towards sustainable consumption are to be translated into sustained, mass change in behaviour then it is imperative that consumers receive accurate and useful information on the social and environmental issues associated with the products they buy. Labelling has an important part to play in providing consumers with this information.

However, labelling is only one of a number of options available to develop consumer confidence and willingness to participate in sustainable consumption. Other solutions exist, ranging from "choice editing" to the provision of whole brand re-assurance to consumers, which also have an important role to play. We have outlined our thoughts on this range of consumer information options in Appendix 1. We have also provided some thoughts on your more specific questions in Appendix 2.

The EAC's enquiry is important and timely. We hope the observations we have provided help you in your work.

3 October 2007

APPENDIX 1

OUR APPROACH TO PROVIDING CONSUMERS WITH INFORMATION

We have considerable experience of providing information to our customers on social and environmental issues. This is summarised below.

We know that 73% of our customer's want information about the social and environmental qualities of our products. We are meeting this need using six main approaches, summarised below. We believe all have a role to play in informing and re-assuring our customers.

1. CORE TRACEABILITY INFORMATION

The "bedrock" for re-assuring our consumers on social and environmental issues is being able to demonstrate that we know where our products are made. Unless our customers have this basic re-assurance they can have little confidence that we are managing any associated social and environmental issues. This is why we label all our products with their country of origin. We are also increasingly labelling food products with the UK County they were produced and in many cases, the name of the farmer who produced the fresh meat, fruit and vegetables we sell.

2. BRAND CONSUMER COMMUNICATION

We sell approximately 35,000 product lines, virtually all of which are under our own Marks & Spencer brand. Our customers have told us that across such a large number of products (*where sustainability issues range from fish sourcing to chemical use in manufacturing clothing; labour standards to climate change; packaging to reducing salt in food; cotton sourcing to food miles, animal welfare to Fairtrade*) they often want the simple re-assurance that the brand they are shopping with (M&S) is addressing all sustainability issues, across all products on their behalf.

This is why we've used our look behind the label campaign to provide consumer re-assurance that we have taken, for example, hydrogenated vegetable oils out of all of the food in our food halls. Across the 4,500+ food lines we sell, our customers do not have to look at the small print they know none of the food products we sell contain HVOs.

Often when people are in a rush, with just a few minutes available to them to do their shopping in a busy life, this is all the information they want.

3. CHOICE EDITING

Our customers expect us to remove "bad" choices from our shelves. For example, our new range of electrical bulbs only features energy efficient varieties, all our eggs are free range and all our tea and coffee is Fairtrade. We do not offer conventional light bulbs, battery eggs or non-fairtrade coffee/tea. Our customers can only buy the "responsible" option from us. This choice editing works for issues that consumers understand well and where the loss of choice is unlikely to result in them simply going to buy the product from another retailer.

4. MANDATORY LABELS

We use mandatory labels where required to do so by UK and EU legislation such as certification of Organic food, Waste Electrical and Electronic Equipment (WEEE) and energy efficiency labels. Clearly we have a legal obligation to do this, but it also ensures that consumers receive the same consistent information wherever they shop.

5. VOLUNTARY THIRD PARTY LABELS AVAILABLE TO THE WHOLE INDUSTRY

We use a small number of third-party voluntary labels to address issues which are reasonably mature and there is consensus about defining the sustainable option. For example, all our products will carry the WRAP (the Waste and Resource Action Programme's) symbols on packaging to advise consumers on how to recycle used packaging or, where this is not possible, give them a clear and honest message that this packaging must go in the bin. Similarly we also use Fairtrade, Marine Stewardship Council and Forest Stewardship Council labels on relevant products.

Our customers have told us that the involvement of independent third parties (eg Fairtrade Foundation, Soil Association) in developing and "policing" these labels is very important to them.

We are also supporting the Climate Group's &Together campaign by encouraging our customers to wash their clothing at 30 C wherever possible as this has the potential to significantly reduce energy use in heating wash water and consequently reduce CO₂ emissions. To do this we are using the traditional wash label supported by an additional *Think climate wash at 30 C* message. The key here is not to develop a new type of label but to supplement a well established "label" (the wash instruction) with additional information. The &Together campaign enables several companies to work together across a number of different product lines to present a coherent message to consumers about how their everyday choices can collectively begin to address the challenge of climate change.

We have also been working closely with the Carbon Trust. They have helped us develop a detailed carbon footprint for our food business, from field to fork. We believe strongly that within the UK, only the Carbon Trust should be responsible for developing an industry wide approach to carbon labelling. We will not be developing a carbon label of our own. We will continue to support the Carbon Trust in its work.

6. MARKS & SPENCER VOLUNTARY LABELS

Where we cannot adopt the approaches outlined above, usually because an issue is relatively new, and we believe our customers want information on our approach we have adopted our own carefully thought through approach. For example, we have launched a range of clothing made from recycled polyester, produced from used plastic bottles. This approach has ensured we have been transparent with our customers in changing a traditional business practice (we have used polyester made from oil for many decades) as well as giving them an engaging and motivational story that brings the concept of sustainable consumption alive for them.

We have also introduced an “air freight” symbol on food transported by aeroplane in response to requests for transparency about sea and air freighted produce. We are very clear this is *not* a form of carbon label but was designed to respond to growing consumer concerns about unnecessary usage of airfreight, particularly on fresh produce. This has been successful in educating our customers that very little of our overseas produce is transported by air and that this approach is only used where closer sourcing options are not available.

APPENDIX 2

M&S OBSERVATIONS ON EAC QUESTIONS

ISSUE 1

Labelling should not be viewed in isolation as a means of informing and re-assuring consumers

As we have outlined above, we believe that labelling is an important way of informing and re-assuring consumers. However, it should not be viewed in isolation and should be complemented by a more holistic approach to information provision.

ISSUE 2

There are a number of criteria which can help us judge whether a particular label will work and a small number of labels that currently meet these criteria

We believe the criteria for judging whether a consumer label will work are:

- communicates on a single clear issue;
- responds to a clear consumer need for information;
- responds to a key environmental impact relevant to the product or packaging;
- is simple and effective in use requiring minimal interpretation;
- empowers the consumer to make an informed decision; and
- is honest and transparent.

Labels that clearly meet these criteria include Fairtrade, Organic, Marine Stewardship Council (MSC) and Forestry Stewardship Council (FSC) labels.

Fairtrade and organic have been particularly successful in helping consumers both identify “better” choices but also make them more aware of an issue and the difference they can make through their purchasing decisions.

At a time when more and more labels are starting to emerge, we will continue to prioritise this small number of well established labels.

ISSUE 3

The Government should set up a stakeholder advisory group to help identify where gaps exist in sustainability labelling and where existing labels can be improved

The Food Industry Sustainability Strategy (FISS) recommended the formation of a stakeholder group to look at “ethical” sourcing, including associated labelling issues. We believe that such a group could help identify where labelling is the optimum approach to provide consumers with information on environmental and social issues.

ISSUE 4

Consumer labels work well when they focus on a specific issue

Experience with the EU Eco-label scheme in the 1990’s has shown that whilst multi-issue labels may appear attractive as a “one-size-fits-all” solution in reality the aggregated nature of their message make them less effective with most consumers.

In addition, they require increasingly large datasets to prove a product meets a wide set of sustainability criteria. In a marketplace characterised by rapid product development, the unwieldy collection and auditing of such massive datasets will deter retailers and fast moving consumer goods brands from widening the use of labels.

Government is currently exploring where there may be nutrition, local sourcing and carbon efficiency overlaps in order to identify combined messages. Whilst we support this work, in reality we believe that red meat may be the only significant point of convergence.

Government and industry must exercise care to avoid unintended consequences. For example, “food miles” is rarely a good proxy for the overall carbon footprint of a product.

ISSUE 5

Signposting is typically easier for consumers to understand rather than the provision of numeric values

More research and understanding is required as to how consumers will navigate choices on the issue of climate change/ carbon. We believe that simple “in use” signposting on relevant products (such as A–G energy labels) is more likely to be effective than numerical values requiring interpretation.

Consumer “carbon labels” are likely to be most effective when the consumer *use* phase dominates a product’s overall carbon footprint. Thus electrical goods, where the use phase is often the dominant factor, are more likely to lend themselves to carbon labelling than food, where the make-up of the carbon footprint is highly variable, with the supply chain often being the dominant factor rather than the use phase.

ISSUE 6

Government should co-ordinate the labelling activities of its “agencies”

It is important that Government continues to co-ordinate the activities of its funded delivery organisations such as WRAP, The Carbon Trust and the Energy Savings Trust who are all working to develop new labelling schemes.

ISSUE 7

Carbon labelling may prove to be effective but other approaches exist to address the climate change impacts of consumption

Climate change is such an important issue that we need to continue work to develop a robust, cross industry carbon labelling scheme. However, as the scheme is developed in the years to come we should not avoid the potential to reduce product CO₂ footprints now.

We have estimated our total carbon footprint to be at least 6.7 million tonnes of CO₂ across the production, transport, sale, use and disposal of our products. Approximately 10% of these emissions arise from our own operations (stores, lorries, offices, warehouses etc). The other 90% comes from the manufacture and use of the products we sell. In practice as a food and clothing retailer this total footprint is dominated by a few activities, for example washing clothing.

We could spend many years developing a carbon labelling scheme, spend many more years and tens of millions of pounds applying it to each of our 35,000 product lines and wait even longer for whole-scale behaviour change in purchasing practices amongst our customer base that results in significant CO₂ savings.

In addition, our customers have consistently and rightly told us that responsibility for addressing sustainability issues is 25% their responsibility and 75% ours. They do not expect us to neglect changes we know we can start to make ourselves now in the hope that a robust carbon labelling scheme will emerge in the future that they may construe as us passing responsibility for fighting climate change to them.

Retailers are able to set internal targets to reduce CO₂ emissions from their supply chains and operations now. Only when the use phase of a product dominates its overall carbon footprint should we consider asking consumers to make choices. And even here solutions may already exist that avoid the need for the development of complex new labelling methodologies. For example, the consumer wash phase dominates the CO₂ footprint of clothing. We can use a well understood and simple “label”—the wash temperature care label—to encourage behaviour change rather than developing at great cost a complex alternative which we need to explain to consumers.

ISSUE 8

Environmental labels should not act as a barrier for developing countries

Consumers expect all the products they buy from us to be safe and of high quality, wherever in the world the product is produced. We believe consumers have the same expectations on sustainability. To consumers, a pesticide residue on food is the same whether the product comes from Kent or Kenya.

We therefore believe that environmental labels should be applied consistently across retail products wherever they are sourced from. What matters in this situation is the acceptance that producers in developing countries may face additional challenges in meeting standards. We work hard with producers in

developing countries to help them meet our requirements. We believe Government and other funding sources should give consideration to how they help producers meet the requirements of sustainability labels. The Fairtrade model is a good example of how extension work, funded by Government and retailers, can help poor producers improve production methods to meet the requirements of the standard.

We have also created a Plan A Supplier Exchange to help our 2,000 suppliers and 15,000 growers address social and environmental issues wherever in the world they operate. We have already held several conferences for our suppliers on these issues and are now forming sub-groups to address particular challenges—groups on pesticides and labour standards are already up and running.

Witness: Mr Mike Barry, Head of Corporate Social Responsibility, Marks & Spencer, gave evidence.

Q39 Chairman: Good afternoon, Mr Barry. Thank you very much for coming in. I wonder if we could start by asking you just to give us some details on Marks & Spencer's attitude to environmental labelling and the kind of information you give to your customers to help them understand the environmental impacts of their choices?

Mr Barry: It will be a pleasure. I would like to start with the consumers, because ultimately whether we label or not is pretty much dependent upon their views. We have segmented British consumers into four specific groups. There are 20 to 25% of British consumers who are not interested in environmental social issues at the moment, a lot of which is driven by poverty; they are too poor to care about climate change or saving people in Africa, they have just got to get through their own day. The next group is the largest group, they are about 40 per cent, and they are saying, "I am quite concerned about environmental and social issues, but I don't believe I can personally make a difference. If I give up flying, if I give up meat, if I give up ready meals and a billion people in China and India start consuming them, what is the point? I have just shot myself in the foot." What that group of people actually want to know is that if they do make a change it is a change which many people around them will make with them. They are part of a collective change mechanism. The third group, 25% roughly, is saying, "We are concerned about environmental and social issues, very concerned, but we lead busy, complex lives. We will do things if you make it easy for us. If I walk into one of your stores and my only option to buy coffee and tea is Fairtrade, great, you know, I'll buy into it, I won't walk out, but when I've actively got to seek out the Fairtrade option amongst dozens and dozens of different product options in your store in 10 busy minutes, probably not." Then there is the fourth group and the group which perhaps is represented in this room today, which is the 10% of green crusaders. That group has doubled in the last five years, which is very encouraging, but it is 10%, and they are the only significant group at this stage that want to use environmental and social labels on a day to day basis, we believe. So if we just take that a little bit further and if we actually sit down with focus groups and ask our consumers, "What do you want us to do? If you care so passionately about these issues, what do we do next?" consistently they say to us, "Okay, I personally as a consumer will take some responsibility. It's 25% of the job I will do. 75% of it is you, Marks & Spencer," or another big business, "You've got to take a lead on this. I've seen your message and I'm willing to buy into a greener way of

doing things, but boy you'd better be the ones that take a lead on it and do the hard work for me." Just to complete the introduction with that, we believe that means that much of what we talk about today is actually about management standards for a big retail such as Marks & Spencer to manage its supply chains, 2,000 factories, 15,000 farmers, half a million in the developing world making products for us. A lot of what we currently call environmental and social labels are actually management tools by which we can drive and enforce change across our supply chains and then report to society on the progress we are making. We made a big commitment back in January for something called Plan A, 100 commitments, where we basically said all our wood products in the future will be FSC or recycled. You do not have to worry about it as you walk around the store, whether it is the wood on the décor, the marketing décor, the wooden furniture or even the wood in this suit, the cellulosic fibre here made from wood, it will be all FSC and recycled. Now, I will give you proof points, I will give you information about that, but very, very clearly I am not going to stick on 10 different labels on every single product I sell. We have 35,000 different products in M&S, which is small for a retailer. Many retailers carry quarter of a million different lines. To put a label or multiple labels covering Fairtrade, pesticides, environmental issues, carbon, on every single one of those products would drive us to distraction, our suppliers to distraction and also the consumer. Now, that is not to dismiss all labels. Some labels, for example Fairtrade works fantastically well, and just let me capture why that is. Fairtrade works very, very well because it is based on four or five things. It is an independent standard that I cannot influence. It is an independent standard. The second thing is that it is a very complex set of issues behind this but actually it is just a world that you buy into as a consumer. Thirdly, it is all about grass roots movement. It is not just that label chucked out there, there are hundreds of thousands of people who feel passionately about Fairtrade around the UK, meeting in church halls, driving it forward, encouraging their friends to buy into it. The marketing is very good by the Fairtrade Foundation to generally raise awareness of everything. Finally, it is an issue which consumers can just about get their heads around: the poor people in the poorest parts of the world get a bit more of the price that I pay here in the UK for the product. So for those four or five reasons Fairtrade works very, very well as a standard. I am not sure that every label that we consider will tick those boxes. So that is just a brief introduction of our current position.

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Q40 Chairman: I am very pleased to hear about the suit because I have got one on here!

Mr Barry: It will be FSC eventually.

Q41 Chairman: It has got lots of labels in it, but none of them about the standards really. For those 10% of the customers who are keen and enthusiastic, what does Marks & Spencer do to help them find out what is behind the label? Do you have a website with product information on it and things of that sort, and how would you point people to it?

Mr Barry: For those consumers, we are using labels. If one of our T-shirts is Fairtrade, it will say so. If one of our ready meals is organic, it will say so. Clearly for nutrition advice we use the Food Standards Agency scheme for red, green, amber, and we put that on our products. So for the informed the information is there. What I am saying today is that we should not assume that that is the right way to get to the other 90%. For the 10% who care passionately and who want the information, I will give it to them. This is not about M&S saying you walk into a denuded store with no information about environmental and social issues, absolutely not, but what we are saying is that quite rapidly we are going to reach the end of the productive use of labels to actually change consumer behaviour. I think we can probably get to 20% who are buying very passionately into information on labels. The other 80% will just throw up their hands and say, "Too complex, guys. 10 minutes in your store. Please do it for me."

Q42 Chairman: Obviously most of the merchandise you do sell is own brand. What advantages does that offer you as a retailer and are there any disadvantages?

Mr Barry: I think there are advantages for our customers. We give a very simple message. Whether you are in a food hall in Truro or Aberdeen, every egg used in that food hall is free range. You do not have to think about it. Whether it is in the ready meals as an ingredient or a shell egg, it is free range. All coffee and tea is Fairtrade. No GM ingredients anywhere. That is a great benefit. Our customers like that. There are disadvantages. We do not gain from the advertising done by the big brands that talk about, "Buy Coca Cola today." It is there on television. We do not sell the Coke brand and we do not gain from people coming to our stores to buy that brand and the advertising that has driven it. Nor, to be fair, do we buy into or get access to all the science that some of these big food brands are doing. Some people like Unilever and Proctor & Gamble are doing some very, very good stuff at this moment in time. Because we do not sell their products, we do not necessarily have access to the science base. It means we have to rely on ourselves, our big technical teams in our own organisation and our suppliers as well. So there are pros and cons.

Q43 Chairman: You mentioned GM. I am just wondering, when you did have that big drive to promote the fact that you were GM-free, as it were, what impact did that have on consumer behaviour?

Did you find that people were flocking to your stores to buy, or was it maybe just something they did not understand?

Mr Barry: It is a very interesting point. In January 2006 we ran a big campaign called Look Behind the Label, which talked about all the things that M&S were doing in terms of environmental and social issues—Fairtrade, free range, leading the way in salt and fat reduction. We talked about non-GM. On the back of that advertising campaign we saw the biggest ever upswing of trust in the Marks & Spencer brand, which is a reasonably well trusted brand already. But what customers were telling us was, "Great, M&S. I'm not going to automatically buy more of that one specific product in this campaign, but I will shop more with the brand because I trust that you're managing all these issues across everything that you sell." So in terms of brand and reputation it is hugely powerful. Do we want to trim it down to one product out of 35,000 and try and sell more because of that? No, we do not.

Q44 Chairman: In your memorandum you state that you will prioritise support of a small number of well-established independent labels. How do you decide which ones to support?

Mr Barry: I have given you the example of Fairtrade. There are four or five criteria which really tick the box for us and I think Fairtrade is almost unique in ticking all the boxes. I think organic does as well. We think certain things like the Forestry Stewardship Council and the Marine Stewardship Council as well do not have to be just about managing our supply chain and meeting a 100% commitment to use FSC or MSC in our business but can start to be brought in front of the consumer. Beyond that, I am not sure there are many at the moment we would want to use and put in front of our customers. Those are quite clearly defined issues. They are something to do with timber, the Rainforest. We protect it, FSC. It is quite clear. The same with fish and MSC. You have been talking quite a bit about multiple impact labels, can you have a label which talks about pesticides, labour standards, fair trade and packaging all in one. We do not believe you can at this stage. We think the science they would require would be too complex. We believe that you aggregate to such a broad level that it is meaningless for the consumer and they may as well just buy into the M&S brand itself to shop with rather than this hugely complex aggregate label. So at the moment we will use Fairtrade, organic, MSC and FSC in our business, but not much more than that.

Q45 Chairman: So your approach really is to say that M&S is the label and that anything which bears "M&S" means it is pesticide-free, it is organic, all of those things? That appears to be your approach.

Mr Barry: That is our approach and we believe it is the logical end point for most people. Again, we have 35,000 products. Even if you felt really, really interested about every one of those 35,000 products with 10 socially environmental issues associated with them, you would need 24 hours in our store

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looking at every label before you ever made a purchase and that is not good for you and it is certainly not good for me. So we want to give people simple choices and the vast majority of consumers, 70–80%, are saying, “I just want to understand that your brand across 100 commitments is doing the right thing.”

Q46 Chairman: How do you test consumer opinion on this? Obviously you have done opinion surveying and so on. Is the consumer truly able to influence your policy decisions still?

Mr Barry: Again, it is a very, very important point. What happens with consumers—and let us forget environmental and social for a minute and let us just talk about fashion or price, or the products we sell—is that we follow trends and we spot trends. We then interpret the trend and offer the result to the consumer. No consumer comes to us and says, “Mr Barry, in two years’ time I want you to make sure that all your fish are MSC, the hoki from New Zealand, the cod from the North-East Atlantic.” They just come along to us and say, “I’ve got this broad concern about fish. There’s not enough in the sea. You just do something about it.” We will then listen to a wide stakeholder group or opinion-forming pressure groups, government, et cetera, to say, “Okay, the consumers are concerned. They want us to do something. What’s the best option?” We will look at four or five different options and we come up with the preferred one. We offer that to the customers. Occasionally, they turn around and say, “You’ve chosen the wrong one. We don’t want that one,” but usually they say, “Yeah, that’s fine by us. You’ve interpreted a genuine concern that I had and you’ve given me a solution. That’s what we want,” and that is what we are doing here with the environmental and social issues. 80% cent of consumers are saying, “I’m concerned in some shape or form.” Our job, if we are to succeed as a commercial entity in the future, is to interpret that to an extent better than our competitors and offer the solution quicker and more authoritatively to our customers.

Q47 Chairman: You do a fair bit of choice editing and brand reassurance. These are obviously quick ways to resolve the problem, the removal of anything which is not AAA rated, white goods. I think John Lewis follow that policy. That is one example, but do not retailers who follow that kind of approach reduce people’s choice? This is a free market, is it not? If somebody wants to make a bad choice, who are you as a retailer to say that they cannot make a bad choice?

Mr Barry: Let us be clear, retailers reduce choice every single day of their lives. We put 35,000 products on our shelves every year. We reject another 50,000 that we could have done because it is the wrong price, the wrong fashion, it is never going to sell. We reduce choice every day of our lives. All we are doing here is saying, “For a new emerging set of issues, environmental and social, we will take some tough choices for our customers. We will do it not on a whim. When we’ve done it, 100% free range

eggs, 100% Fairtrade coffee, tea, jams, and very significant investment in Fairtrade cotton, it is on issues that consumers broadly understand and have bought into, they have been around for many years, and the natural end point is to edit it out of our business, but we believe we have got to give that leadership. It is not about us sitting back and saying, “Madam, that’s a bad choice, that’s a good choice, your problem. If you want the bad choice, be it on your own conscience.” If you have beliefs as a retailer you should be editing out the bad options.

Q48 Chairman: If you put your hand on your heart, could you say that if you shop M&S you shop green?

Mr Barry: No one can say that. I think Marks & Spencer, amongst several others, is trying as hard as anybody in the world. We have been ranked as the world’s most sustainable retailer. We have scratched the surface a little bit deeper than anybody else. There is so much more to do.

Q49 Chairman: How much more, do you think?

Mr Barry: Well, we have made 100 commitments to deliver over five years, which is 2012, and I am already starting to think about the next 100 commitments which will take us to 2017. It never ends. By then we will have delivered 100% MSC certified fish, 100% FSC certified wood. We have not committed at this stage to have 100% organic or Fairtrade cotton. That might take 10, 20, 30 years to achieve. We have bought a third of the world’s supply of Fairtrade cotton and that is only 10% of the cotton that Marks & Spencer uses. To actually drive sufficient demand for Marks & Spencer we are going to have to totally change the whole approach to cotton production around the world. That is not going to happen overnight, but what we have done is to set very public targets to say, “This is what we’re seeking to achieve. If you don’t think it’s enough, challenge us, but we will report to you on a regular basis about the progress we are making across everything that we do.” But we are not going to seek to try and shrink it down to a label on every single product we sell across all those 100 issues.

Q50 Jo Swinson: You mentioned that a major issue for you in terms of the driver is actually driving trust in the brand, but do you have any evidence that because of labelling consumers do change their purchasing behaviour? For example, are you selling more T-shirts now that you have got a huge Fairtrade cotton sector?

Mr Barry: We reported that when we shifted all our coffee and tea to Fairtrade we saw a six per cent uplift in sales, which might not seem much but to us it was huge in a declining market place. Coffee and tea is a very mature commoditised market place and to find a point of difference with that was very, very significant to us. I think we have been very clear from Stuart Rose down in the business that we do not want to get locked into a model which says we must prove for every single product line that one specific change resulted in 1.6 per cent extra sales. This is about an investment in the sustainability of the brand and its ability to operate in the future, and

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that is the way it will remain. So I am not sure that environmental labels, unless they are very, very good ones like the Fairtrade Foundation, will ever prove that a particular product will see an upswing in sales. I think it is very dangerous to go looking for it. You will spend years trying to find it.

Q51 Jo Swinson: You basically set out that you think there is a small cohort of customers who might actually be swayed by environmental concerns over other things. Of the other 90%, you say that you reckon you could get 10% of them making these decisions. Why would you say that that is not likely to go beyond those 20%? That is your focus group research.

Mr Barry: I think, to be very clear, 80 per cent of consumers are saying, "We want environmental and social issues to be managed as part of the decision-making in shopping." It is just that the majority are saying, "You manage them for me." 10% are saying, "I'll manage the issues on my behalf provided you give me the information." I believe that will double. But just to keep up with all the science at the moment is very difficult. We are faced by conundrums every single day of our lives. Do we stop flying food in from Africa to correct the carbon or offer the jobs in Africa? We can start to reduce methane emissions from our farming base now, but probably at the price of worst animal welfare standards. What is the value of that? So I think to ask consumers to take on those very complex trade-offs directly would be wrong. They want me to do it for them. They want me to have spoken to many different voices, animal welfare groups, farming groups, government groups, and having listened to all those voices made a decision for them. The science of the future is only ever going to get more complex. When I started this job six, seven years ago most of the things I was dealing with were quite straightforward. You just use less energy. It saves us money. The future is about trade-off and complexity and I cannot expect the majority of consumers leading busy lives, having not done a PhD in Science, to be able to make informed choices.

Q52 Jo Swinson: You did point out earlier that you are in an almost perhaps unique position, having control over the supply chain for most of the products that you sell. I do not know what the M&S share of the grocery market is.

Mr Barry: 4%, and 10% on clothing.

Q53 Jo Swinson: So 96% of our grocery shopping is probably done in major supermarkets and a small proportion of that is probably in convenience stores, and so on, but if somebody is going to Tesco, Asda or Sainsbury they cannot have that same relationship they might have with the M&S brand to say, "Well, they sort it all out for me," because you are then coming up against major manufacturers, the Unilevers and everything else, so this sort of brand approach is not going to be one which will be able to work across the board for consumers. Do

you, therefore, not think there is a value in some kind of perhaps simplistic carbon footprint labelling, if that could be developed?

Mr Barry: I am going to hang my head a little bit in shame now, because I am going to tell you that some of my competitors are very good at this. Sainsbury have gone and done 100% Fairtrade bananas. They only sell Sainsbury bananas, they do not sell Unilever bananas or anybody else's. So I am sat here on a neutral basis now, rather than speaking for Marks & Spencer. I believe that the big supermarkets are able to, and are doing in some cases, this choice editing where they can. I think when it comes to making sure there is a uniform proposition across the whole of their shelves, about 40% of what a supermarket sells is own brand and 56% is branded goods and I think for the 40% of their own brand they would have the expectation that they could match M&S or would have the expectation that they could keep ahead of them. That is just competition. The other 60% I think are working with some very good brands around the world to drive change. On some things like food health (so we are talking about red, green and amber) and on packaging I am very supportive of what they are doing because ultimately it impacts on you at your house. I have got to tell you that we are using now the WRAP symbols and all our food packaging by the end of this year will say, "This is how to dispose of it. You either recycle it, or if you cannot recycle it you must put it in the bin." There is nothing to stop any brand, whether it be a supermarket or the branded goods they are selling, putting those on. The same with health. It is very, very simple, red, green and amber. You either buy into it or you do not. When it comes to more complex issues, talking much more predominantly about the supply chain and how you manage timber sourcing in Indonesia or farming in Scotland, there will be challenges for other supermarkets as to how they answer that. I would humbly say you must speak to the other supermarkets as to how they might solve that one. All I can speak for is M&S and M&S is planning to take things forward.

Q54 Jo Swinson: Do you plan to pursue any kind of carbon labelling?

Mr Barry: We are very clear the Carbon Trust is the only big tent in the UK for developing the carbon label. If there is going to be a carbon label (and it is an "if") it has got to be universally accepted. We do not want to repeat the problems we have had with health labelling with two competing schemes. One scheme, led by the Carbon Trust, which Marks & Spencer and I think most of the retailers are working into. Some people are trialling labels at this moment in time. That is their option. You learn from doing that. We do not want to use the labelling with its current ties. We do not believe it is right for consumers. Having said that, we are working behind the scenes very, very well with the Carbon Trust to actually drive labelling forward. Having said that, it is probably several years before carbon labels will be extensively available, will be rigorous enough to actually put on products and actually meet green

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claim codes requirements for the ASA and actually result in consumer change in their purchasing patterns. Marks & Spencer today knows what its carbon footprint is. We can start driving it down today. We know entirely where those carbon emissions are coming from. Do I need to put a label on the product in five years' time to tell the consumers and ask them to make a change in their purchasing decision? Possibly, but I can get after a lot of those emissions myself in my supply chain.

Q55 Jo Swinson: One of the things you have introduced is the air freight logo, which you did admit in your memorandum is a fairly crude measure, but have you actually found that that has changed consumer behaviour at all?

Mr Barry: It has had no impact whatsoever on sales and that is exactly what we intended because we put that label very clearly on. This is the technology Marks & Spencer use to move its product. It is not a carbon label. It is basically saying, "This is a technology that we've used," and the reason we did it is very, very simple. Every time we put food or flowers on a plane, that becomes the dominant factor in its carbon footprint and every other aspect of the carbon footprint of a product we sell is variable by sight of operation. So, as Peter Kendall referred to, you can have the greenest greenhouse in the world with renewables running it or you can have the world's worst greenhouse consuming huge amounts of coal and oil to heat it. It is entirely site-specific. Until you have a site-specific carbon label, that is the only time you can address that. We already know now that as soon as we put products on a plane within reason virtually every single plane has broadly the same emissions and there is no green option out there, so let us be very honest and tell our consumers where we are using it. Let us reassure them that we are not actually flying much in, about three or four per cent of what we sell. It is very small. There was a scenario twelve months ago which said that consumers were beginning to suspect that everything that was not British was flown in, and actually we have reassured them that it is not. We have also said separately from that that we will reduce air freight but we will target two areas rather than the developing world. One is, we will go to the developing world and do R&D to try and shift things off planes onto boats, using the same existing supply chain. That is with poor countries. We will also target rich countries where we air freight from on the basis of do they really need our business, there is no upside to the carbon downside, and we will start to reduce those. We have made it very clear we are not going to reduce air freight for the foreseeable future from the developing world, but we will put a logo on to tell you where we do use it.

Q56 Jo Swinson: I just have one more question about the concept of carbon labels. In your memorandum you said that consumer carbon labels are likely to be most effective when the consumer use phase dominates a product's overall carbon footprint, like the fridges and so on that we are familiar with. What leads you to make that claim?

Mr Barry: Because it is something where you, as a consumer, see a label and you think, "I can do something about that." So when you are actually eating something and you have got red, green and amber on salt and fat calories, "Ah, I can actually do something about that. I can live my life in a healthy way if I just eat greens rather than reds." With a red on there saying that this is relatively low carbon meat compared with most meat, what do I do? It is a bit difficult to get your head around, whereas with a television I can actually use every day of my life, it is sat there in my front room, I am proud that it is the lower carbon of the options I could have bought. It is part of my lifestyle. I was already unplugging the television anyway so that it was not on standby. Now I know it is also green. It tells you when it is actually in use. I can get my head around it. So we just think consumers will always buy into labelling when it is more about their life, packaging of products where the impact is dominant in their home.

Q57 Jo Swinson: Do you not think there is an argument that it is also useful for people to have that information of things that they might not have actually thought was, for example, particularly bad from a carbon point of view. To use the food example, there have obviously been foods where people thought they were eating incredibly healthily and then realised they were full of added sugar, or whatever else, and they needed to just have them as treats. That is surely part of the motivation behind carbon labelling and also for consumers to be able to make that decision at purchase, "Well, do I want to buy this product, or actually is that product line itself or that product category itself quite an unhelpful product?" and go for some other alternative?

Mr Barry: It is a very good question. What we are actually talking about there is an education decision. Do we believe that labelling is the best way of informing people about the impacts of their everyday lifestyles? Sometimes it might be. What we are saying is that sometimes it might not be and you should not automatically assume that the label means, "I understand the issue and I'll do something about it." It might just leave me more confused, you know, "What does that mean?" This is why I am very supportive of what Defra are doing with their product road map at the moment. Basically it is ten product areas and we are looking at all the hot spots environmentally down the supply chain from production use and disposal, and that is starting to pick out areas where yes, we can use a label for education purposes, yes we can use the label for helping people to make informed decisions and change their purchasing practices, or the label is not valid there and we are going to have to find different tools to change. This is, I think, a great role for government to get stuck into. It is about looking at all these products and picking out where the labelling is actually a benefit. It is not everywhere and it will not in every instance be the right educational tool, but sometimes it will be.

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Q58 Martin Horwood: I will say first that I am a bit of a fan of M&S and I know everything you are doing on corporate responsibility and environmental issues is good, but if I was a cynic I would say that the approach you are describing is one which is going to be absolutely fantastic for you because you are going to have a system where there is not the more universal scheme, so M&S will still stand out. You will walk into M&S and people who are in the 35% of the market you are really aiming at, who are influenced by these things, will think M&S is absolutely tremendous and there will be these star labels that you want to promote, which will be all over the place in M&S, but for the people who are walking into Tesco and Asda I do not see how this scheme will influence their behaviour much.

Mr Barry: Again, I understand they might feel like competitors, unfortunately, but I actually think those guys are doing some very good, interesting stuff, and again I have used the example of bananas with Sainsbury. I think Waitrose is going to be out of battery eggs for all their own brand products, M&S just has a different looking model, that is all. I think the actual model that you use is just as applicable in other supermarkets. They might do it at a different pace from us, but I think what the guys are doing is just as interesting.

Q59 Martin Horwood: But surely you do accept that if you have a universal system admittedly M&S would not stand out any more but everybody would be able to make those kinds of choices and we might expand the number of consumers who were making decisions on the basis of the environmental impact of the goods they were buying?

Mr Barry: Yes, it is a legitimate challenge, but what I am saying here is—forget M&S, I am saying there is a vanishing point here in the debate which says that in any supermarket there are at least 35,000 products, in most supermarkets 70–80,000, and if every product had a label on it—and let us start with the situation where it had a label saying, “No child labour, no pesticides, no GM, the packaging can be recycled, MSC fish, FSC packaging”—six or seven different labels on 70,000 different products, no consumer, I do not care whether they are the richest in Waitrose or the poorest in the other supermarkets, will ever be able to actively shop on that basis.

Q60 Martin Horwood: Surely that does support a universal scheme which does do what you are describing in terms of the white goods labels, which is to actually deliver a bit of simplicity at the front end, because the approach you are describing actually permits proliferation, does it not, of labels?

Mr Barry: Sure. So let us take it on the level, 70,000 products. We are not going to have seven different labels on them, we will all just have one label on each one and it will be a sustainability label. It will say green, red or amber in terms of sustainability. As someone who lives and breathes this every day of my job, I cannot conceive of the IT system, the database, which will basically say, “I can score this red because I’ve done an audit of that factory and last week there

was a kiddie in there so it’s a red factory. All right, it’s moved on this week, the kid’s gone, so it’s an amber factory.” So many variables will be moving around constantly. With product development in supermarkets you are basically changing a quarter to a third of your products every year. You would have to be generating vast databases of information across multiple locations. So, as I say, M&S has got 15,000 farmers supplying it. I would guess the supermarkets probably have 40–50,000. You would basically have to have the information on the reforms of every single one of those locations to be able to come up with an aggregate label. What we do when we are buying fruit and vegetables around the year is we try and buy as much as possible in the British season. Britain is out of season. You might get your apples from Chile, then from France, then from New Zealand, every single one of which will have a different carbon footprint, a different issue to do with labour standards, a different issue to do with pesticides. Your whole system will have to shift. You will have to change all your labels on your apples to say, “It was an amber apple, no it is a green apple,” and then back to an amber one. So I just think in practice it will be too complex to manage.

Q61 Martin Horwood: That sounds very unambitious to me. Kraft is based in my constituency and I went to them to argue for them to adopt the Fairtrade standard with some of their really mainstream brands. They decided not to. They are going with the Rainforest Alliance label. In your world, how would you stop that kind of proliferation of different labels attaching to the same kind of standards, because surely that is a risk that is going to again confuse consumers and actually lessen their ability to make a rational choice?

Mr Barry: I think the ultimate answer to this—and it is glib and you might not want to hear this—is that the market will decide. What you will see is that certain labels will be more trusted than others. No retailer can be in a position in five years’ time, where we have got the exponential growth in labelling that we have now, of just slapping on label after label after label. There has got to be a point where we will all just say, “Stop! This is getting crazy. We must rationalise the kinds of labels that we’re using.”

Q62 Martin Horwood: But will not some producers actually have an interest in promoting that confusion if their brands are less able to get the most popular label?

Mr Barry: Of course.

Q63 Martin Horwood: They will actually want to promote a bit of confusion to enable them to claim some of that market?

Mr Barry: Yes, but again if you look at the level of scrutiny that we are under now as brands, the media interrogation of what we do, the NGO interrogation of what we do, it is a brave business that tries to build the long-term sustainability of its business model on that kind of approach. You might get away with it for 6, 12, 18 months, but in five years’ time you will not be able to. You will be exposed as using a lesser

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standard. Again, I made the point a little bit earlier about this being predominantly about management standards. Ultimately, the only way you will be able to separate M&S, Tesco, Kraft, Nestlé, Proctor & Gamble, is not by walking into a store and judging, “I’ve been round and I’ve counted 16 Kraft products with greens and six with reds, and Unilever. I’m not quite sure.” The only way to do it will be with what we are seeing now, which is benchmarking, where each supermarket now gets ranked on issues by Greenpeace on fish sourcing, the RSPCA on animal welfare, to say, “We, Greenpeace, have looked through hundreds of pages of evidence from these brands. We then rank them Waitrose top, Sainsbury second and M&S third, and we’ve done it on your behalf.” That is the only long-term option on this if we are not going to go mad, with the levels of data that we would be asking ourselves to manage, the suppliers to manage and the consumers to try and take it in.

Q64 Martin Horwood: I do not quite see why having that complexity in the hands of NGOs and companies themselves is somehow possible and having the complexity in the hands of a universal scheme is not, but can I just ask, you have quoted organic as one environmental labelling scheme which has passed your test of the market adopting it and making it successful. What other environmental factors would you see taking off in the same way that you would like to see standards or labels attached to?

Mr Barry: We have talked about organic, we have talked about Fairtrade, we have talked about fish and we have talked about wood. Those are probably the four very obvious areas where we have got some kind of success emerging. We are very supportive of LEAF as a system of managing our supply chains. I am not sure that we will ever put it on our products in front of our customers, but certainly as a management standard for actively managing and differentiating that supply chain we will use it. Carbon is the big question mark. Will carbon actually become a supply chain management issue that we will just manage on behalf of our consumers, or will we end up in the situation where consumers want a label on every product to make a decision? I think the jury is out. I certainly do not think in the short term it is a viable option. Maybe in five to ten years’ time we will be actively using it and we will certainly work with the Carbon Trust to try our very best to make it happen, but again I think we are sat at the crossroads at the moment.

Q65 Martin Horwood: Can I just come back to you on LEAF? Does that not exactly indicate the weakness of the slightly kind of free market approach to labelling? If you are not putting it in front of your consumers because you can tell your consumers that you are good at all these things, what pressure is there on Tesco or the others to promote it in their stores, because they would not meet the same standards as you do as a brand as a whole? But unless you are all putting it on all the products, surely consumers will not actually be given the choice in the end?

Mr Barry: Again, it is a benchmark. I will be reporting, as Waitrose are reporting, 100 per cent of my fruit and vegetables meeting LEAF standards.

Q66 Martin Horwood: Yes, but Tesco and Asda will not be doing that, will they, in practice, so how are consumers going to be encouraged to make those choices?

Mr Barry: Again, the people doing the benchmarking will be saying, “We have compared the eight big supermarkets on how much they are using LEAF or an equivalent standard to manage their supply chains and we have ranked them accordingly.

Q67 Martin Horwood: Okay. Do you think you have had enough or adequate support from the Government in terms of setting these standards and developing these systems?

Mr Barry: I think the Government’s role—and again I referred to great support for the product road mapping which is going on now. Maybe that should have happened five years ago, but certainly it is being a big support now in terms of picking out areas that really matter and picking out areas where we do need more information for consumers, and in particular where we might need labels. So I think that is very important. I would like to see the Government maybe develop a stakeholder group to sort of sit next to that product road mapping to advise it—it could be NGOs, it could be think tanks, it could be business advising them—and I think the Government could do an awful lot to intellectually shape the discussion in this area. I think we have to be very careful about assuming that we can go back to the twentieth century model when the Government will always bail us out, they will bring a law in to tell us what to do. Those of my supply chains, particularly non-foods, which are overseas the British Government has got a very limited ability to influence. We will apply—and I know the other supermarkets will apply—the same universal standards across the world. So going back to Peter Kendall’s point that you cannot allow a system where British farmers have to meet this, but imports meet this, we reputationally cannot afford that. We have got to make sure that everybody, whether we have bought from the UK or bought from overseas, reach the same standard and I think that will drive it forward. So I think the Government’s role is a lot about thinking. I do not assume that there have to be lots and lots of regulations first.

Q68 Martin Horwood: In relation to your stakeholder advisory group, what would the priorities for that be?

Mr Barry: For them it is to look at each product road map. Let us say milk, the first one to come out. Clothing comes out. These are environmental hot spots across the whole value chain to do with clothing or milk. “Do you, as a stakeholder group, agree? Fine, you do. What do you think the best option is then for taking the sustainability of the milk industry from here to here?” There will be lots of options, including R&D, the technical change in

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our supply chain that I was alluding to, and consumer information, labelling and awareness, having been informed by discussion and debate rather like we are having here and a probing, questioning approach, rather than automatically saying, "You've got to have a label."

Q69 Martin Horwood: The final result of that would be, what, that they would give credits to those retailers who met those standards?

Mr Barry: No, this is an advisory group for the Government. This is basically saying to Government, "You've come up with a model which says this is how the milk supply chain currently looks. These are the potential options for improving the sustainability. This is where we are now and this is where we want to get to. We, as a stakeholder group, farmers, retailers, pressure groups, Government really want to get to there. We buy in. These are the options for getting there. It involves different interventions by suppliers on how

supermarkets manage the supply chain. It requires in some cases the use of labels and awareness and education for consumers. We, as a group, have tested what we think the best option is. We will now look for somebody to actually implement that." It might be Government regulation, it might be an industry standard that everybody develops together, but the stakeholder group is not about accreditation, it is about advice.

Q70 Martin Horwood: But you would want the final result to be a label, would you, or to be a standard which some retailers would meet and others not?

Mr Barry: No, the final end point for me is a more sustainable milk industry. On how you get there, there are different options, of which labelling might help drive some of it. This group is there to decide where labelling, amongst other options, is the right tool to use, no more than that.

Chairman: Thank you very much for that very informative session.

Memorandum submitted by Carbon Trust

Thank you for this opportunity to contribute to the Committee's inquiry into environmental labelling. This submission addresses the Carbon Trust's views from our experience in the development of the product Carbon Reduction Label, currently being piloted across a range of products and services. The note is structured in eight sections: the first section summarises the context of our initiative and progress to date, and the following sections address in turn the specific questions raised in your inquiry.

CONTEXT

The Carbon Trust has been working with business and public sector organisations over the last seven years to accelerate the move to a low carbon economy. Energy efficiency has succeeded and will continue to succeed in delivering valuable carbon and cost savings for business. Mitigating climate change, however, will require more fundamental changes to the way that business delivers products and services to the end consumer. The Carbon Trust has been working with companies over the last three years to develop a methodology to measure and identify opportunities to reduce carbon emissions across the supply chain.¹

Building on this work, in March 2007 the Carbon Trust launched an initiative to develop robust standards to measure, reduce and communicate the lifecycle greenhouse gas (GHG) emissions of products and services. The initiative aims to drive action in companies to reduce emissions across the supply chain through transparent, robust and consistent information that serves as a basis for sound decision-making by business, consumers and other stakeholders. The initiative has three components:

- a method to measure the lifecycle GHG emissions of products and services, currently being developed into a BSI Publicly Available Specification (BSI PAS 2050), working with Defra and the BSI British Standards;
- a "reduction framework" to define what constitutes reduction of the embodied GHG emissions of products and services, to help companies make robust claims about what they are doing to reduce them, currently under development; and
- communication principles, underpinning external communications around carbon emissions content and reduction of products and services, including but not limited to consumer-facing labelling, eg the Carbon Trust Carbon Reduction Label pilot.

The PAS method is a stand-alone and open standard that may be used for a variety of activities to improve and communicate the GHG performance of a broad range of products and services. The reduction framework and communication principles will build on the PAS but are separated from it. This separation will allow companies to use the PAS measurement method as a standalone tool, eg to support procurement or portfolio management; use the PAS measurement method and reduction standard, eg to support carbon management across the supply chain and support CSR-driven initiatives; and use both standards and the label to further engage with consumers.

¹ *The carbon generated in all we consume, and Carbon footprints in the supply chain: the next step for business*, Carbon Trust, 2006.

This initiative is being overseen by two independent Steering Groups: one steering group, appointed by BSI, covers the Publicly Available Specification (PAS) for measurement; and the other Steering Group covers the development of the reduction framework and communication principles. Both the PAS Steering Group and the Reduction and Communication Steering Group include members from a range of organisations, representing academia, NGOs, business associations, the government, the Energy Savings Trust and the Carbon Trust. Both groups are led by Jim Skea, Director of the UK Energy Research Centre (UKERC). To ensure that links are made between both initiatives, there is some cross-membership between the PAS and the Reduction and Communication Steering Groups. The process to develop the PAS and the reduction framework and communication principles will include a number of consultations.

In parallel to this work, the Carbon Trust is piloting the Carbon Reduction Label, a public measure of the carbon footprint (embodied GHG emissions) of a product. The label also contains a commitment on the part of the producer to reduce these emissions over a two year period. It has a “reduce or lose” clause with the contract of use; if companies do not reduce their emissions, the label is removed. The Carbon Reduction Label aims to empower customers to make purchasing choices based on carbon intensity which, in turn, drives companies to compete on carbon over time. The label is currently being trialled by Pepsico’s Walkers (crisps, on pack), Boots (shampoos, at point of sale) and Innocent (smoothies, on their website), with other companies to follow. New pilots include Coca Cola, Aggregate Industries, Marshalls, Cadbury Schweppes, The Co-op, Scottish & Newcastle, Halifax, Muller and Kimberly Clark. Of these, Halifax have publicly stated their intent to label.

The Carbon Reduction Label was launched in response to a growing market need in this area. Research conducted by the Carbon Trust in November 2006² found that two thirds of consumers surveyed wanted to know the carbon footprint of the products they buy. This is consistent with other independent research. For example research conducted by LEK Consulting, a management consultancy showed that 56% of consumers would value product carbon footprint information when making a buying decision.³ Companies operating in the UK want to respond to this need, and recognise that it is essential that any public carbon information on products and services is consistent across companies. Assurance on integrity has been evident in recent research such as that conducted by Globescan,⁴ which concluded that 77% of consumers interviewed want independent assurance of company claims on climate change.

The Carbon Trust is committed to creating a single widely accepted standard to underpin this information requirement, working with multiple stakeholders in the UK and internationally. We are making good progress with BSI and Defra in developing the standard (the first version of which is currently under consultation) while we continue to trial the label. We have received significant interest from business wanting to participate in the pilot phase (over 150 companies) and we are currently working with twelve leading companies across food and drink, consumer goods, construction products, services and other sectors, as outlined earlier.

EXISTING ENVIRONMENTAL LABELS AND PRODUCTS REQUIRING LABELLING

There are currently four main types of environmental product label in the UK:

- The first are *energy efficiency labels*, notably the EU energy efficiency label to rate the efficiency of white good products, and the EST recommended label to encourage the adoption of energy efficiency appliances. There are also EU labels at point of sale for vehicles and asset & operational labels for buildings.
- The second group are *social and environmental labels* underpinned by standards that cover a wider set of issues, including some specific environmental areas. This group includes Soil Association (organic); Fairtrade (promoting fair international commerce and social issues); Red Tractor (British farm assured); Linking Environment and Farming-LEAF (environmental issues linked to farming); Rainforest Alliance (biodiversity); Forestry Stewardship Council-FSC (sustainable forestry); and Marine Stewardship Council-MSC (sustainable fishing). All these schemes focus on food, with the exception of Fairtrade, which is also being adopted by clothing and other sectors, and FSC, which focuses on timber-based products.
- The third group includes *carbon neutral labels*, such as Penguin Approved and Planet Positive, led by DCarbon8 and focused on the building sectors. These labels combine emissions measurement, some form of emissions reduction and offsetting. To date, these have been relatively niche in terms of their application.
- finally, some manufacturers have developed their own *proprietary labels* to promote their “green” credentials covering aspects of climate change. Examples include Timberland, looking at carbon impacts of their products or the recently launched Future Friendly Label, developed by Procter &

² GfK NOP survey conducted in October 2006. Highlights are included in the Appendix.

³ The LEK Consulting Carbon Footprint Report 2007: *Carbon Footprints and the Evolution of Brand-Consumer Relationships*, 2007. <http://www.lek.com/About/carbon.cfm>

⁴ Globescan for LRQA, March 2007.

Gamble, that encompasses efficiency in the use of energy, water and waste. These labels are based on proprietary methodologies which have not yet gone through public scrutiny. It is also worth mentioning Tesco's and Marks & Spencer's aeroplane labels highlighting air freighted products.

With the exception of the mandatory EU Energy Efficiency, vehicles and building scheme labels, all schemes are voluntary.

As far as we are aware, the only UK labelling scheme providing carbon footprint information applicable to all products and services in a consistent and comparable way is the Carbon Reduction Label being piloted by the Carbon Trust. Given that all products and services have embodied carbon content and that consumers want to factor this information into purchasing decisions, we believe there is a clear case for an independently verified Carbon Reduction Label with potential application across all sectors. The UK has the opportunity to lead globally on an initiative that has the potential to drive significant emissions reduction across the supply chain. As an example, the analysis of the embedded emissions of Boots shampoo products identified opportunities to reduce the carbon footprint of Boots overall supply chain by 7,400 tonnes CO₂e per annum. Boots have already worked to reduce the carbon footprint of their Botanics shampoos by 20% at the back of this work.

WHAT SHOULD BE SHOWN UNDER A LABELLING SYSTEM

Any information about environmental or climate change related impacts to help business and consumers make choices needs to be transparent, robust and consistent, and needs to be based on broadly accepted rigorous standards.

We believe that carbon equivalent⁵ (including all six Kyoto GHG emissions) provides a common measure of climate change impact across all products and services. It also covers the carbon related impact of other environmental issues, such as waste, water and land use change. Carbon is therefore a good measure to start conveying complex information in a single metric. In addition, carbon has the potential to become a "common currency", applicable to all products and services, allowing consumers to make decisions on carbon the same way they make them on price, and business to compete on the carbon intensity of their products and services, the same way they do on cost.

Embodied carbon (GHG emissions across the supply chain) can be measured using a number of methods. The draft standard to measure GHG emissions being developed by the Carbon Trust, Defra and the BSI is based on lifecycle assessment, a well established method to measure the environmental impacts of products and services across the product life-cycle. BSI are currently working with us to prescribe the boundaries and data requirements to ensure the right balance between accuracy, to allow consistent comparability, and cost-effective applicability. Sensitivity analysis on the carbon footprint of products from our initial pilot projects (using draft PAS), completed by Oxford University shows an uncertainty similar to that achieved in the UK Government's reporting to the IPCC of national GHG inventories.

To drive action by companies in the short-term, the Carbon Reduction Label has also introduced a commitment to reduce the emissions of products and services over a two year period. This reduction commitment will be underpinned by a separate standard that defines what constitutes a meaningful reduction in carbon content, ensuring the integrity of such claims. In the longer term, once there is a certain critical mass of products labelled, we envision companies will start competing on carbon, driven by consumer demand. This market dynamic could have a great positive impact on the carbon and cost competitiveness of business, since many options available to companies to reduce carbon emissions also generate cost savings.

THE CASE FOR RATIONALISING ENVIRONMENTAL LABELS- REASSURE ON MULTIPLE PLAYERS

We believe that it is important to avoid the proliferation of labels with overlapping purposes. Feedback from business inform us that this will only cause business and consumer confusion and potentially paralyse their behaviour. As an organisation independent of both business and government, one of the key reasons for the Carbon Trust to lead in this initiative is to avoid the fragmentation and lack of broadly accepted market standards suffered in other areas such as carbon offsetting and nutritional labelling. We have been liaising with different initiatives in the UK and internationally to align similar standards into a single recognised approach; we see the BSI PAS 2050 as the first step to create an international standard.

We also believe that trying to bundle a lot of information from complementary labels or standards (eg different environmental impacts or social issues) could be technically challenging; trade-offs are not well understood and could be misleading. Furthermore consumers should have the freedom to choose based on their individual preferences. For example, certain types of organic food may be more carbon intensive than non-organic equivalents, and consumers should be able to make choices based on the criteria that are

⁵ The information in the Carbon Reduction Label includes all six Kyoto Greenhouse gases expressed in carbon equivalent. For simplicity of communication the term "carbon" and "carbon footprint" is used. In all cases carbon means carbon equivalents.

important to them. Likewise, we should avoid the temptation to oversimplify the communications in ways that would be misleading for the consumer. A good example is the common belief that air-freighted products are more carbon intensive than local ones.

So while we believe that it is important to avoid a proliferation of labels covering the same information, it could also be misleading to rationalise complementary ones.

In terms of prioritisation of information, again we believe this should be market-led. Our research shows that 74% of consumers consider that climate change is a serious problem that needs to be tackled now. Independent research by LEK Consulting, a management consultancy,⁶ shows that roughly one third of consumers recognise that they should be responsible for taking action and another third think manufacturers should lead. Businesses are recognising this trend and prioritising this in their communications. As an example, both PepsiCo (through their Walkers brand) and Boots—the first companies piloting the Carbon Reduction Label—have placed the label in prominent places on their pack space (Walkers) or point of sale (Boots). This reflects a business understanding of what is important to consumers, and provides a great opportunity to accelerate carbon management and emissions reduction.

THE IMPACT OF ENVIRONMENTAL LABELLING ON CONSUMER BEHAVIOUR

Our market research shows that the market is receptive to the idea of a carbon label as a mechanism to provide information about products' embodied carbon, as mentioned above. The initial reaction to the Carbon Reduction Label has been quite positive despite the lack of educational marketing thus far. Recent research by Walkers shows that 78% of consumers are aware of the label, with 70% of consumers (and 75% of concerned consumers) saying that the label makes them “more aware of the impact of the products and services they choose to buy”. Research conducted by LEK Consulting² concluded that 43% of consumers interviewed would be ready to switch products based on their carbon content. More details on the highlights of the research can be found in the appendix.

It is also important to note that there are many other mechanisms to influence consumer behaviour beyond environmental or carbon labels. Business and consumer education programmes are still needed to drive behavioural change and maximise impact in this area.

THE REGULATION OF ENVIRONMENTAL LABELLING—GREATER EMPHASIS ON ASSURING INTEGRITY

As mentioned earlier, the carbon footprint information on the Carbon Reduction Label is measured according to a draft PAS 2050, based on lifecycle assessment techniques and is currently under further development in partnership with Defra and BSI British Standards. The commitment to reduction will be based on a separate standard, also under development.

During the pilot phase of the Carbon Reduction Label, until the completed standards are published, the Carbon Trust is conducting the carbon measurement analysis, certifying the results and awarding the Carbon Reduction Label. This is crucial to ensure consistency of both analysis and communication during the pilot phase. Once the standards are published, we envision that companies will be able to perform the analysis on their own. Independent verifiers will be able to certify that the analysis complies with the standards, should companies wish them to do so. Independent certification will be a prerequisite to awarding the Carbon Reduction Label, which we see as a stamp assuring compliance with the standards. We are currently planning to tender the appointment of an independent accreditation body (eg UKAS, ASI, etc); with a view to developing the accreditation and certification infrastructure shortly after the standards are published. This model is consistent with well accepted best practice. Other labelling schemes such as the Soil Association, Forestry Stewardship Council and the Fairtrade Foundation operate on the same basis. Both the PAS 2050 standard and the reduction standard will be publicly available through the internet. This means that companies will be able to use PAS 2050 (or PAS 2050 and reduction standard) but are not obligated to then use the Carbon Reduction Label

EXPORTS FROM DEVELOPING COUNTRIES

Environmental labelling should, in principle, not have a different impact in developing countries versus developed ones—it is purely dependent on the environmental performance across the supply chain. Specifically looking at embodied carbon, emissions are accrued and measured across the supply chain in a consistent way, regardless of the geography where they occur. Transportation from point of origin can be easily offset by specific local conditions such as climate, infrastructure and technology, making sourcing, production or other parts of the supply chain more efficient. We have seen examples where produce from developing countries were more carbon effective than equivalents in developed countries. For example, a study published in February 2007 by Cranfield University, sponsored by Sainsbury's and World Flowers, showed that carbon emissions from Dutch roses were 5.8 times higher than Kenyan roses, even when the use of air freight is included.

⁶ The LEK Consulting Carbon Footprint Report 2007: Carbon Footprints and the Evolution of Brand Consumer Relationships, 2007.

INTERNATIONAL LABELLING

We do not consider that either the standards or the labelling scheme will infringe the WTO Technical Barriers to Trade Agreement or Article 28 of the European Treaty (Prohibition of quantitative restrictions on imports and measures having equivalent effect). Neither the standards nor the labelling scheme will impose any direct or indirect restriction on the import of goods from other countries because:

- the standards and scheme will be voluntary, not mandatory;
- the label will be available on a non-discriminatory basis to any companies wherever they are based whose products or services have been analysed in accordance with the standards and who accept the commitment to reduce emissions over a two year period. Furthermore, as stated above, we see the BSI PAS as the first step in creating an international standard; and
- the standards will not set a minimum specification that manufacturers or suppliers must meet if they wish their products or services to conform to the standards but will merely set a method for measuring the embedded carbon content of products or services and its reduction.

We are, however, inviting WTO to input to the consultation on the standards and will continue seeking professional advice on this matter as the standards and labelling scheme develop.

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Witnesses: Mr Tom Delay, Chief Executive, and Mr Euan Murray, General Manager, Carbon Footprinting, Carbon Trust, gave evidence.

Q71 Chairman: Good afternoon. It is good to see you again. From what we have heard so far this afternoon it sounds like the Carbon Trust has bitten off more than it can chew! Nevertheless, you are biting and along with the BSI and Defra are producing a standard for measuring embodied carbon. Why is this necessary and what are your principal concerns in developing such a standard?

Mr Delay: If I may, I will start off quickly and I suspect Euan will come in with the structure. I think there are two reasons really why we even started on this venture. The first was a reflection of where the low carbon sector is going generally and we concluded that, if anything, carbon offsetting has been a real lesson to us all that if we are not careful we get carried away with something which is going to potentially change behaviours, and indeed enable people to move to a low carbon future and indeed believe that they are moving in that direction where it is not necessarily the case. I think green was associated with carbon offsetting and the lack of an established standard, particularly in the voluntary carbon market, is a big lesson to all of us working in the low carbon sector. With glorious hindsight, I think we felt that had we been around as the Carbon Trust five years ago with the capacity to try to put a standard into the market, particularly a voluntary carbon offsetting standard, we would have done so. Looking forward, it seemed to us that over the next few years carbon labelling, and indeed a real focus on the supply chain emissions related to products and services, is likely to become something very much more significant and that in taking a very early step we would in a sense be in a position to influence the way the market and the standards within the market were being developed. So that was the first reason, I think, for us getting involved. The second is a piece of research which we did ourselves about three or four years ago—Euan was responsible for this—where we looked at the carbon emissions in all that we consume and we essentially looked at the UK's carbon footprint not in terms of the inputs to the economy but in terms of the outputs, what we all

enjoy, so heating, food, recreation and leisure, commuting, and so on. That showed us a number of things, but the most obvious was that the split of indirect and direct emissions for embodied carbon versus in-use carbon was very polarised by sector. So there are some sectors like space heating where virtually all the carbon emissions are generated in the home as you consume gas typically in a boiler. Food is very different. There is a very substantial embodied carbon in the food products which we buy from the supermarket and a relatively small contribution to the overall carbon footprint of what we eat and drink at home in the in-use phase. It struck us at this point that there is a real imbalance and everybody has focused on the in-use and very few people were focused on the embodied. If you look at the total carbon footprint per person in the UK it is about 11 tonnes of CO₂. Of that 11, three to four tonnes is attributable to energy in use, or in-use carbon emissions, which means that the remaining seven or so, well over two-thirds, is down to what we buy, what we enjoy in terms of amenity value, the buildings we go around in, the transport systems that we enjoy, and so on, and that embodied carbon is something that we need to get at if we are to build a low carbon economy. So I think that was the second reason why we decided we would look at embodied carbon in particular, that we felt it had very, very significant scope for carbon emission reductions by looking down the supply chains of a whole series of products and services. So that was the reason why. In terms of the structure that we followed, Euan can tell us about that.

Mr Murray: I think following on from that, I guess from the two previous speakers you have had a pretty clear steer that standardisation is incredibly important, so within an organisation when they are making comparisons about different aspects of their business or supply chain operations being able to do that on a level playing field is very important, and then if the information is disclosed publicly it is important that any stakeholder using that can make meaningful comparisons between products or

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companies, or whatever it might be. I think on the second part of your question around challenges and concerns, the key here really is finding something which is the right mix of analytical rigour with practicality and we have to find that such that we can move forward, such that we know we can trust the results which are being produced in any product footprinting exercise, but also such that it can be done in a way that every company is able to adopt it and it is not the exclusive preserve of those few which have a larger balance sheet and maybe some more cash to spend some time thinking about it. There are four technical questions which leap out to me as being really the key ones we need to address, and we have heard this from lots of the different stakeholders that we and the BSI, and Defra, have been talking to. One is around boundaries, so when thinking about the impact a product has how far out or how far back do you go? We have heard a bit about the crisps example. It seems pretty clear that you ought to include the emissions from running the cooking machine in the factory, but should you be worrying about the engineer who runs that machine and his journey to work, or the energy he used when he washed the coat he is wearing in the factory? There is perhaps an argument that the boundary drops between those examples there. We have heard a bit about the use phase and whether it makes sense to include that in any measure of the impact of a product and I think there are definitely both pros and cons of including that and through the BSI consultation process we expect to have a pretty lively debate on that very issue. Thirdly, the treatment of agriculture is incredibly important, particularly in the food and grocery sector. Agriculture has a very important role to play in that delivery system and also makes a significant contribution to the overall carbon footprint. When I say "carbon footprint" there I do mean the greenhouse gas footprint, so the impact of methane and nitrous oxide from farming systems tend to be incredibly important. I would, of course, agree with Peter Kendall's statement that we understand CO₂ much better than we understand methane emissions and nitrogen emissions, but given that they are such an important contributor to the overall footprint I do think we need to create the right incentives so that extra research and extra awareness is raised around those as issues. We risk making the wrong decisions in the short-term if we exclude them. The fourth area is around data sources and the level of prescription which is required to gather information that we can trust and gather information that we believe to be comparable. I think in some cases it is clearly very important to go out and gather real primary data specific to the particular situation. So, using the crisps example again, the energy and the emissions from the electricity used in the factory. I think where it is perhaps less appropriate is once we have worked out how many kilowatt hours are being used that we then go away and measure every single power station across the UK to come up with a grid emissions factor. That sort of information already exists in published information from Dukes, and so on, so there we ought to be relying on that, but the exact

balance of that and the other three areas are going to be areas that we focus on through the BSI consultation process and I think those, and others, will really help all stakeholders involved in this to get their heads around what is really possible and what makes sense.

Q72 Chairman: Given that the Government is looking at the possibility of personal carbon allowances which would focus primarily on our use of primary fuels, gas, electricity, petrol, diesel, why have we not really put more pressure on to have those things labelled? I can see companies coming forward and offering themselves, but it is a bit daft, is it not, when we can see the CO₂ on our crisps but not on our fuel bills?

Mr Delay: I think there is a number of proxies for CO₂ on our fuel bills, and not directly necessarily, but there is a number of energy efficiency labels which do actually look at the in-use phase and essentially give a pretty clear steer in the form of white goods labelling in particular as to what the energy performance is like of different products. Extending that to have a more complete coverage of the in-use phase I think would make sense. Finding some way over time to reconcile the fact that there is an embodied carbon phase that is very significant in some sectors and an in-use phase that is also very much down more to the person individually, having made the purchase or having enjoyed the amenity, what they then choose to do with it. I think it is something which is going to have to happen over time and we are at the beginning of a very long journey, I suspect.

Q73 Chairman: The fact is, if we do have personal carbon allowances and we also have the EU ETS and various other mechanisms which makes every individual and organisation responsible for its own carbon, would that not make all labelling redundant because you simply are responsible for your whole consumption, whether you are an economic unit or an individual purchasing stuff? You would not need any labels, would you?

Mr Delay: It would, and it would provide an enormous stimulus to businesses to look down their supply chains and find lower carbon ways of making the products and services that we enjoy. That, at the end of the day, is where the embodied carbon story reaches its environmental impact, by persuading businesses and supply chains to reduce the carbon emissions in getting the product and service to you, the consumer. Labelling is just one way of providing that stimulus to business to do that. Indeed, the personal carbon trading system would do a very similar thing, but of course it would also include the in-use phase in a like way. I think the point, though, is that actually all the work we have done so far suggests that whilst we all recognise the very real and very immediate value and opportunity in being able to turn things off, switch down thermometers, add insulation, et cetera, to our domestic life, there are equally large opportunities in looking down supply chains and looking to reduce the embodied carbon in so many of the products and services we buy. If we

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really aspire to building a low carbon economy, we are going to have to tackle both halves of the equation.

Q74 Martin Horwood: The labelling at the moment is only on a very small selection of products. Where are the drivers coming from for this? Are you trying to change consumer behaviour, are you aiming for fast moving consumer goods, or is it the companies in particular you are aiming at? What is the driver?

Mr Delay: The story is a fairly straightforward one. We started doing academic research into supply chain carbon probably three years ago now and we started with a big academic research programme which looked at lifecycle analysis and how it applies to various industrial emissions. Then we started looking at the emissions from the UK and the carbon footprint of the UK on a consumption basis and some of the companies that we worked with in producing that and going forward into piloting a number of supply chain initiatives actually got to the point where they are saying to us, "Right, now we understand what the embodied carbon in a particular product is we would like to share that information. One, it is a driver internally to our organisation, to our employees, to our stakeholders and investors, to allow us to do more to reduce carbon emissions. We do not actually at the end of the day say, "This is where we are at and we are making a commitment to reduce." Then the case for the investment proposal which says, "This is how we are going to invest to reduce the embodied carbon" falls away. But equally we would like to raise that issue with consumers and allow them to understand what we are doing. It is part of the good front foot approach that we wish to take as a leading company in the sector. So it all started very much with businesses and with businesses looking up their own supply chains and opportunities, but then wanting to say, "Actually, having done the work, having understood what we now need to do, we want to share that more broadly," hence that notion of a consumer-facing label for businesses came up and it has been piloted with a very small number of businesses which were the original businesses we started doing the work with. Since then about 150-odd businesses have approached us for a second phase of the pilot work, as it were, and we are working with a small number of those companies, about ten or so, looking to firstly evaluate what the carbon footprint of their products and services actually is and then, as a second phase, considering whether or not they choose to communicate that through a label or otherwise.

Q75 Martin Horwood: None of them saw a risk in people coming up and saying, "This instant smoothie's got 294 grams of carbon in it," or something like that, and misunderstanding the idea and then deciding to go for a can of Coke which had no label on it and so they thought it did not have any carbon in it at all, or something like that?

Mr Delay: I think the risk was pretty well understood by all the companies which chose to be part of the pilot. They looked at the market research

which they conducted themselves, they looked at the market research that we conducted and concluded that no, this was something that was the right thing for them as a company. It was down to them as a company to choose to do that.

Q76 Martin Horwood: Did that market research show that consumers did understand the labelling? Did they understand that it was a measure of the environmental impact? It does not explain that on the label itself does it really?

Mr Delay: The market research itself is quite interesting. We researched a number of different labels and a number of different messages that you can put across through a label. Those which had the greatest relevance to consumers was firstly the simple acknowledgement of CO₂. The link between CO₂ and climate change was much stronger than we had assumed. People understood it and understood the CO₂ was carbon dioxide and then linked it to climate change. There was almost no risk in putting CO₂ on our labels. More contentious in a sense was then the commitment to reduce and the label we are at the moment piloting has a downward arrow, which indicates that the company concerned has made a commitment to reduce the embodied carbon in that product over a period of two years or they will lose the right to use the label. Now, I believe in pretty much every case of the pilot companies they looked at the research which said that over two-thirds of consumers want businesses to do more to address climate change and there is very much a debate around, "I will if you will." The businesses themselves wanted to show "We're prepared to do something and make that commitment to reduce carbon emissions in these products over time." So actually the companies were very keen to see the downward label as a second key message, which is a reduction commitment. The market research then went on to ask questions like, "Do you understand what embodied carbon actually is?" and it was very varied, and it continues to be very varied. The most recent bit of market research which I think is interesting came from Boots. They had research following a point of sale campaign where they actually showed the label alongside some of their products and got Advantage cardholders to actually fill in a small submission. One of the key questions there was, "Do you believe that the label should have a number on it?" because there was a big debate at the time when we first launched the pilot as to whether labels should just be a label or whether it should actually have a number on it and 72 per cent of the respondents said yes, they believe that a label should have a number on it. There are a number of interpretations there. One is that the number is relevant and they understand it, and I do not think all the other market research would support that particularly. Perhaps more relevant is that people said, "Yes, if you've got a number on it, it means you've really measured it. It's not an abstract notion, it's not guiding principles that you tick boxes on, it's actually something you've gone out and measured and we're going to give you credit for doing that measurement." That probably explains why the

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current pilot label has a number, a downward arrow and a clear indication of CO₂. It does not mean that is the end of the story. Just like the actual methodology for measuring embodied carbon itself, which is very much up for grabs over the next year or so as part of the BSI process, whereby we hope to develop PAS 2050 as a publicly available standard, equally I think the way that information is then communicated again is very much up for grabs and we have a steering group looking at it.

Q77 Martin Horwood: First of all, it would be really interesting to see that market research. Can you share that with the Committee?

Mr Delay: I suspect there are some bits of it we can, yes.

Q78 Martin Horwood: You can extricate anything that seems to be obviously commercially sensitive.

Mr Delay: Can I just say that the companies themselves have been very generous in sharing information between themselves as well as with us, which is interesting.

Q79 Chairman: I can see why in market research if somebody is asked whether they want more information or less they will generally choose more, but that does not necessarily mean they understand the implications of the number. What else are you doing to try and explain what the label means to consumers?

Mr Murray: I think I would almost want to take a step back and ask the question, what do we mean by a label?

Q80 Martin Horwood: That may be a bit deep for the amount of time we have got!

Mr Murray: I think we give a little bit too much focus perhaps to the sticker which may go on a pack and actually when we talk to companies about labelling we almost talk more widely about consumer engagement and that is reflected in the three companies we first started piloting it with—Walkers, who are well-documented, having gone out with the label on the pack, but Boots did something very different where they have the benefit of owning the retail space as well. So they chose to use the label but actually as part of a much wider piece of customer communication where they put advertising boards up above the shelf but first of all displayed the label, the number, the commitment to reduce, but also started a conversation with the consumer to say, “We’ve already worked to reduce the footprint of this product. Here’s what you as the consumer can do,” and really use that as an opportunity to build around their “Trust Boots” message. Then Innocent drinks were the third case where they concluded that their website is actually the best place to use the label. Again, the logo with the commitment to reduce and the number, but they built an entire micro-site with much more information to educate the consumer about what it all means and then to educate the consumer about what they can then do. So I think that says to me that there are clearly much wider opportunities out there

to influence consumer behaviour, to explain the story, and one sticker on the front of a pack does not make an entire customer revolution.

Q81 Martin Horwood: Should you be targeting and prioritising retailers who control their whole environment? I do not know if you are talking to M&S or how discussions are going there, but are those the kinds of priority environments?

Mr Delay: We have been working, as Mike said, behind the scenes of M&S and very much support the work they are doing and we have done a lot in terms of learning that methodology through some work we have been doing with M&S specifically. I think this is a five, ten year journey in terms of communication and awareness. I do not actually think the public’s awareness of embodied carbon is as high as it will have to be. Consumers want to know more, but it is a case of where do they get the information. I think there are three levels of information. The first is, “Gosh, there’s a carbon impact in almost everything that I buy or do,” and overwhelmingly the responses that I have received have been, “I really didn’t appreciate that every product, everything we do has a carbon impact.” Message one. The second is, just a relative measure is very useful to understand the hot spots. So even in my own shopping basket just understanding that that is high carbon and that is not, that has a big impact, that has a more or less immaterial impact, is actually quite interesting and you do not need to get very many products before you start getting this sense of where the hot spots will be and that is probably, frankly, as far as most of us will go at the moment. It is probably some years away from the situation where indeed consumers will be able to compare within product categories different products on the basis of carbon either embodied or in use and make a conscious purchasing decision like for like across a different sector.

Q82 Martin Horwood: Are there any sectors or businesses where you have encountered problems or where you think carbon labelling might not work?

Mr Murray: Can I just elaborate on a point Tom made first? I think it might be worth casting minds back to perhaps 20 years ago and looking at calories and nutritional labelling in the same way. Today, does the average consumer understand what 75 grams means? Perhaps not. The fact that the number appears lends the work some credibility, but you do not know absolutely what 75 grams means. Equally, 20 years ago perhaps people did not understand what a couple of hundred calories in this can of soft drink actually meant and it is only over the course of time when the information appears much more widely in conjunction with other awareness-raising campaigns does it really start to have traction, and indeed it has only been very recently with a front-of-pack nutritional labelling that we have seen wholesale changes in purchasing behaviour. So I think just because 75 grams is a new concept today does not mean that it is not something that we can build on.

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Q83 Martin Horwood: Can I come back to that, and can you come back to my other question, which was about whether any sectors or businesses have had a problem with this, or whether you think there may be some sectors that will not be appropriate for carbon labelling?

Mr Murray: I have personally been surprised by the interest from right across industry. It is fair to say, I guess because they are sensitised to the nutritional debate, that the food and grocery sector has expressed most interest and we have been working incredibly closely with them and the trade associations for the last little while, but we have had interest from a raft of other sectors, specifically consumer goods more broadly, some electronics, construction products, hotels and hospitality, financial services, a really very broad mix.

Q84 Martin Horwood: In the service sectors you could label?

Mr Murray: Indeed.

Q85 Martin Horwood: Could you label MPs potentially? We could put it on our annual reports!

Mr Murray: As part of the pilot we are running now we are very likely to test projects within the financial services, the construction and the hospitality sector, because I personally believe that a lot of the underlying logic which you apply to a bag of crisps you can equally apply to a hotel stay or a bank account. Clearly, there are going to need to be some sector-specific rules and guidelines around where you get the data from, but I think the overarching concepts are very similar.

Q86 Martin Horwood: From your earlier comments I think I may know the answer to this, but is there any evidence yet that this is actually making a difference to consumer behaviour amongst all the other factors like price and health labelling which are influencing their decision-making?

Mr Delay: I think, to be honest, it is too early to tell. We are very early on in a pilot phase. We will be doing research in this area, and indeed the companies involved in the pilot will be sharing their research with us. There is absolutely nothing that is negative. All that we are hearing is positive, but I think it is just too early to tell.

Mr Murray: I understand you are hearing from Walkers in a couple of weeks, but I can maybe steal their thunder! I think they themselves would admit that it would be difficult to say that they had seen an uplift in sales since they started using the carbon reduction label, but what they have seen is a real increase in recognition of the Walkers brand as being more sustainable. Perhaps equally importantly, or even more importantly, they have seen their staff and their suppliers really get behind it and now the impact the product has is at the forefront of their thinking when they do their jobs on a daily basis and they go to make changes. They tell a very interesting story about looking at the switch to biodegradable packaging, which they wanted to do for sustainability reasons.

Q87 Martin Horwood: This raises an interesting issue like the one we discussed with M&S. Does this in a way become a way of rewarding star brands who make an investment in their own brand image and the brand values, or is it something you would like to become universal? What are your ambitions for it?

Mr Delay: Certainly we would like to see it with a very broad applicability and therefore universal, probably international ultimately, because I think the businesses we are dealing with are typically multi-nationals but not exclusively. No, I think it needs to be very broad and not exclusive to the leading companies, but available to companies which are prepared to commit to making a reduction. That is the key point, because actually even if you started in a fairly poor place but you commit to making a reduction and you make that annual reduction year on year on year, a decade down the line your company will have changed out of all proportion in terms of environmental impact. The leading companies of today probably started on this journey ten years ago, so I think it is absolutely appropriate that you should allow them to explain what they are doing and what further commitment they are going to make, but equally you want it to be something which is available to the many SMEs in this country and overseas who are just starting on the process, and the reduction element is absolutely crucial because reduction over a number of years does take you from wherever your starting point was to a leading position.

Q88 Martin Horwood: You are also working with Halifax, are you not?

Mr Murray: Yes.

Q89 Martin Horwood: Can you just expand a little bit on that?

Mr Murray: It is another one of the pilot studies where we think it is important at this stage to test my hypothesis of whether you can apply the rules that we have used on crisps and shampoo and smoothies, take those and apply them to construction projects and Internet savings products and others.

Q90 Martin Horwood: Do you have any evidence from them that somebody is going to make an investment decision or a financial product decision on something other than return and basic equity criteria?

Mr Murray: They certainly seem to think it is possible. I would say again it is too early to say. We have only just kicked off the project.

Q91 Jo Swinson: We have heard obviously about the complexity of the environmental issues out there, but your submission suggests that carbon is actually a good way to convey a lot of that information in one simple single measure. How can the carbon footprint really convey the complexity of environmental issues? Is there not a real danger that both negative impacts on other things, whether that is chemical use or water use if things get left out, or indeed as we heard earlier the positive impacts such

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as companies which are also generating their own electricity and doing things to reduce their environmental impact in other ways do not get accounted for in this measure either?

Mr Delay: Yes. A carbon label will not be a catch-all environmental label, but there are many environmental attributes which are caught up by carbon as a good proxy. So waste is a pretty good read into carbon. Low carbon and low waste tend to go together. It is not as clear with water. It is certainly not clear with things like toxic substances, but then again you would have regulation to deal with those without labelling ever getting involved. It also does not in any way address ethical issues of fair trade, and so on, so it will only ever be, I think, a subset of a broader consumer label and even probably a subset of a broader environmental label, but it is not a bad subset to start with, and of course the great benefit is that it engages consumers of today and the next generation with climate change, which is a very rapidly increasing concern for many. So in terms of saliency it absolutely ties into climate change, which is probably the one thing that people are going to absolutely buy in behind.

Mr Murray: Can I just make a point of clarification on a point made by the NFU earlier, where they talked about the exclusion of some benefits which might be seen on the farm. I think the example was anaerobic digestion. The reality of the methodology as it currently stands is where the use of an anaerobic digestion unit on a farm displaces the use of some grid electricity or some natural gas burned by the farmer, that absolutely would get a credit. So it is not correct to say that that would be excluded.

Q92 Jo Swinson: That is very helpful to know. You mentioned there were pros and cons about expanding it to include in-use phase as well as embodied carbon. What will affect your decisions on that? Are you going to be party to that? How is that being taken forward?

Mr Delay: As a specific question, this one actually is being taken up by PAS, the BSI and Defra steering group, who are independent of us. I think that is appropriate and they are looking at this one in particular. It is difficult because the in-use phase is much more volatile and of course as a business you have very little control over what that in-use phase represents. Equally, to only tell half the story in some cases is confusing. It is not as clear as telling the whole story. In your ideal world you would actually be in a position to explain both the embodied carbon content and product or service and its in-use application and put the two bits of information together and hope the consumer can follow it. Boots did this pretty well with their point-of-sale information. They managed with point-of-sale the benefit of having scale to actually show, "This is what we've done. This is what we're doing and this is what you can do." It is not so obvious to do that on a very small label on a packet.

Mr Murray: I think it is also important to recognise there that this is clearly an area where it is not appropriate for us to make a unilateral decision, and that was a key reason for wanting to work with the

BSI, because in setting that process up they are the standard setters. We are an advisor to them, but we are an advisor like many others and it is they who hear evidence through their consultation, both the pros and the cons, and their steering group who then decide whether it is appropriate to include it or not. That for me is very important because I like to think we have taken some steps forward in the last couple of years, but there is clearly a huge number of organisations out there with expertise in lifecycle assessment and product carbon footprinting and there is a huge number of other organisations which are key stakeholders here who are either users or reviewers of this information, who rightfully feel they have a part of play in first of all setting the standard, and secondly managing how it is used down the road.

Q93 Jo Swinson: Obviously you have got this independent group setting up the standard which any company will be free to use but they do not necessarily have to use the label that you are actually developing. What competition do you think there is for your label from other retailers or producers, and will they go off and develop their own schemes and inasmuch as we now end up with GDA and traffic lights and other information schemes on nutrition, is there a danger that we will end up with lots of different types of carbon labels?

Mr Delay: I think there is a danger that we will end up there. In fact, so long as labels have a sound underpinning basis for the measurement, I would be less worried. If labels appear which do not have that sound underpinning fact base, then I would be much more concerned. We are doing all we can to say, "Look, we will develop a label. If it takes us throwing our label into the hat and seeing how it evolves as an industry standard, so be it." That is the right way forward. I think in this country there is a pretty broad consensus that so long as the tent we are building is big enough and enough people can be part of it, then there is no reason why anybody would want to go out and develop their own carbon-specific label. Internationally there has been some interest in our label and our standard, interestingly, and we are getting quite a lot of interest from overseas, but as it stands nothing is preventing anybody from going out and developing their own carbon label, or indeed using the standard which has been developed as a publicly available standard and using that as the basis for another label.

Q94 Jo Swinson: Obviously, I am presuming and hope you can confirm that the label still being piloted might end up looking quite different to how it does currently, but you have gone at the moment for this number of grams rather than traffic lights or things like reduced carbon, different types of options. What was the thinking behind going for the number and not a different way of presenting that information?

Mr Delay: I think I explained the downward arrow logic and CO₂ to make a very clear assessment with climate change. Why not traffic lights? Why not

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average figures? At the end of the day this is very early days and it would be very difficult for us to say that any of the products that we have put a label on are a low carbon product. We would not say that because we simply do not know. I think we are a long way from having industry and sector standards that you would be able to say that with. So the idea of having a red, green, amber system, or indeed an average system I think is very difficult. There is a second issue here, though, which I think is quite interesting. When you look at salt and salt content, to many people you look at the salt content and you think in terms of, "My health, my heart, and what I'm going to do in terms of salt content." When you look at carbon you can manage your own carbon footprint in a number of ways and you can say, "Okay, I'm going to be particularly careful in

looking at my food and drink intake because I want to be able to travel more extensively, because that's a long-term ambition and my family live overseas." Equally, you can say, "Sod it, I'm not going to travel, but I'm absolutely going to enjoy eating and drinking whatever I want," and that is a choice. That is the great freedom that we would have and personal carbon trading would allow us to exploit that freedom going further. There is a danger that if you get into the red, green, orange system, or any other form of by category you will end up focusing on the category as opposed to the bigger story, which is what is your carbon footprint and what can you do to reduce it? It is different.

Chairman: Okay. Thank you very much for coming in this afternoon. It is a very good start to our inquiry. Thank you.

This is an embargoed
advance copy. Not to be
published in any form until
00:01 on 23/03/2009

Wednesday 12 December 2007

Members present:

Joan Walley, in the Chair

Mark Pritchard

Jo Swinson

Memorandum submitted by the Sustainable Development Commission

The Sustainable Development Commission (SDC) is the Government's independent advisor and watchdog on sustainable development, reporting to the Prime Minister and the First Ministers of Scotland and Wales. Through advocacy, advice and appraisal, we help to put sustainable development at the core of Government policy.

1. EXECUTIVE SUMMARY⁷

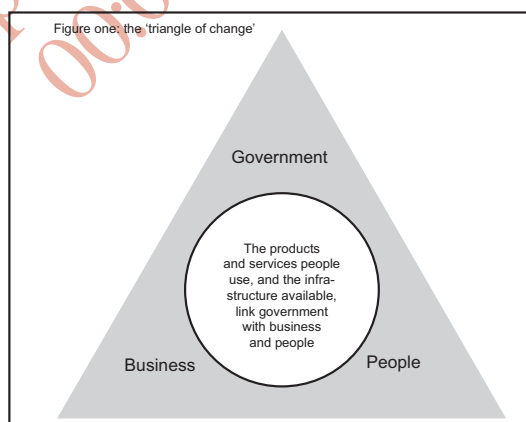
Environmental labels have a role in getting more sustainable products and services on shelves and in homes, but there needs to be better understanding about what labels are, and are not, able to achieve. Both the Sustainable Consumption Roundtable⁸ and ACCPE⁹ came to the same conclusion; namely that labels and standards are only one of a wide range of "tools" that can be used to stimulate the greening of products and services. Therefore, it is important that environmental labelling is considered—not as a starting point for behaviour change but—in the broader context of sustainable product policy.

Consumers are typically considered to be the main audience for labels, with the goal of influencing their purchasing choices. However, whilst "green" labels have been helpful for the willing green consumer, they have rarely worked to influence the purchases of the vast majority of mainstream consumers.¹⁰ Instead the standards have been much more successful in changing *how businesses produce products*, and influencing *what type of products retailers choose to stock*. Labels can also help stimulate more targeted and sophisticated product policy interventions from government, such as the use of the A-G vehicle label to support excise duty banding on the basis of fuel efficiency.

So any new labels need to be designed in a way that supports the many product policy tools that might be used by Government and business.

2. WHY A LABEL?

Labels are often targeted at consumers with the intention that consumer demand will pull more sustainable products through the market. However, as concluded in *I will if you will* and illustrated in Figure one, sustainable consumption requires that all three actors in the economy—government, business and consumers—work together to achieve change.¹¹



⁷ The following conclusions have come from the SDC's *Little Red Tractor* report in 2005 and the *Looking Forward, Looking Back*, product research for the Sustainable Consumption Roundtable in 2006.

⁸ The Sustainable Consumption Roundtable was a joint initiative between the National Consumer Council and the Sustainable Development Commission sponsored by Government and reported in May 2006 with the publication of *I will if you will*.

⁹ Advisory Committee of Consumer Products & Environment www.defra.gov.uk/ENVIRONMENT/consumerprod/accpce/index.htm

¹⁰ *Looking Forward, Looking Back*. 2006. Sustainable Consumption Roundtable.

¹¹ *I will if you will*. 2006. Sustainable Consumption Roundtable p 7.

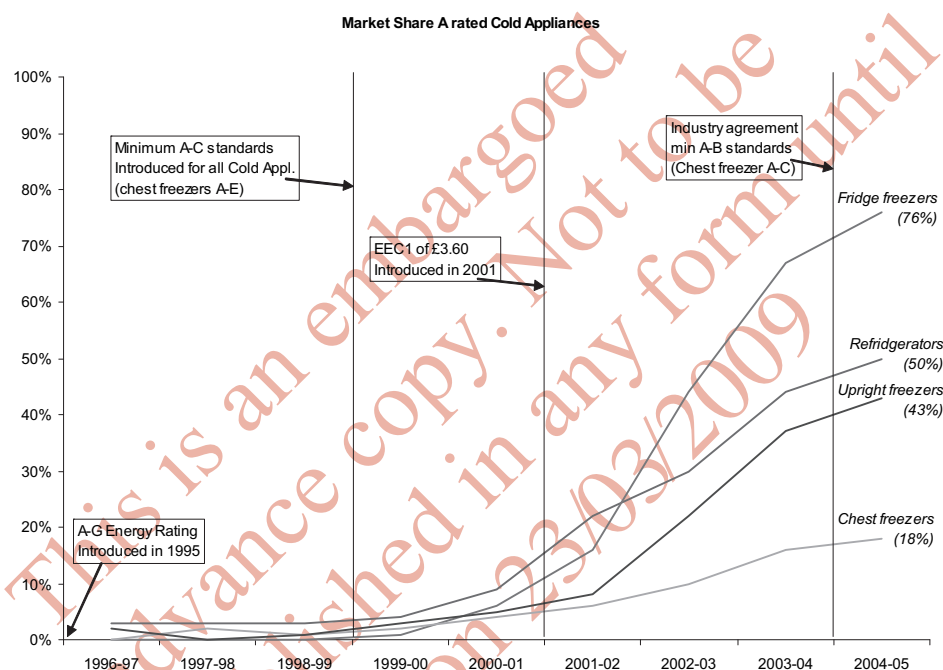
Consumer information only works as a tool to influence the choices of the minority of *people* who are already committed to pro-environmental products. The green consumer alone cannot change the mass market. As a result, labels should not be developed with this sole objective in mind.

Labels can however influence *businesses*. Labels and their underlying standards can help to stimulate businesses to change production methods, demand higher standards from suppliers, or encourage retailers to “choice edit” the products they offer. They can also be used as a performance benchmark that prompts competition amongst businesses.

Labels can also enable more targeted and sophisticated policy instruments from *government*. Labels and standards are a pre-requisite for many product policy interventions such as procurement, minimum standards or fiscal measures. The government already have a “toolbox” of policy options available to them to support anticipated changes in the behaviour of either public or business.¹²

Figure two below, illustrates how coordinated interventions by government and business that build on labelling schemes, can dramatically change markets.

Figure 2: Case Study A-rated white goods



The EU A-G energy efficiency ratings for white goods had little impact until 2000. But the market rose significantly following a combination of retailer pressure, voluntary removal of the lowest ratings, and the Energy Efficiency Commitment (EEC) initiated by the UK Government. The EEC required energy suppliers to encourage energy efficiency in homes and resulted in agreements between retailers and energy suppliers, moving the price of A-rated products into an average consumer price range.

3. SUSTAINABILITY AND RATIONALISATION OF LABELS

The SDC considers that there needs to be a careful balance in environmental labelling between covering key sustainability areas, and being specific enough to support product policy interventions from business and government, as well as communicate clearly and effectively with consumers. “Narrow” environmental labels have spawned a proliferation of other single-issue labels, particularly on food. These labels can confuse consumers about “trade offs” between sustainability objectives (eg locally produced or fair-trade) and/or impacts at different points along the product lifecycle.

In its review of the *Little Red Tractor*,¹³ the SDC called for assurance schemes that embrace the whole sustainable development agenda. One key SDC concern is that many existing ‘environmental’ labels do not sufficiently reflect the breadth of sustainability issues. For example, line-caught tuna may protect dolphins from nets, but does not mean that tuna or dolphins are protected from over-fishing. Some labels, such as proposed carbon labels, may potentially conflict with other sustainability objectives such as poverty alleviation in developing countries. The lifecycle impacts of products are complex, and unsophisticated simplification of these impacts can be damaging and distort the response from business and consumers.

¹² *You are what you sell*. 2007. Sustainable Development Commission. (Draft attached with submission.)

¹³ *Sustainability Implications of the Little Red Tractor*. 2005. Sustainable Development Commission. <http://www.sd-commission.org.uk/publications.php?id=195>

That said, the SDC does not perceive a strong case for rationalising environmental labelling, or for prioritising certain issues. Each product has unique lifecycle impacts and businesses should be encouraged to tackle issues that have greatest impact. Evidence suggests that some bespoke labels, such as the Forestry Stewardship Council, have been very effective in supporting action by government, business and consumers. In contrast, the EU Eco-label, which has attempted to address all environmental issues on all products, has so far failed to gain traction in the UK. Whilst it is logical to want to rationalise labels, this suggests that a fully generic label is likely to fail to support the product policy actions that are required.

As a result, the SDC considers that there needs to be a balance between covering key areas of concern and being specific and detailed enough to support product policy interventions from business and government. Integrating wider sustainability issues into labels, though it may add some complexity, will avoid market distortions and, as a further benefit, may also work to reduce the confusing number of health, safety, ethical and environmental labels already in existence or planned.

CARBON LABELLING¹⁴

While the SDC completely support the goal of reducing the carbon intensity of products, and companies wishing to signal their commitment to reduce carbon, we remain sceptical of the value of translating the carbon footprint of products into a label for consumers.

On a purely practical level, the methodology of carbon footprinting remains problematic. The SDC welcome the governments involvement¹⁵ in developing metrics for embedded carbon, but this is in its early stages. Carbon labels are already in shops. One key issue is scope, ie does the footprint include carbon from the in-use and disposal stages? There is also the need to agree the methodology and label internationally, or we risk creating a UK-only system that is irrelevant elsewhere.

Carbon labelling could also be problematic for sustainability. The biggest sustainability impact of some products may not in fact be carbon. Chemicals, animal welfare, trade conditions, labour conditions and water use, are all significant global issues not reflected in a carbon footprint. Concentrating solely on carbon could potentially be detrimental to these other sustainability objectives.

The third key issue is, what are people able to do with the information they are given? A carbon footprint in grams of CO₂ provides no clear message or reassurance about the sustainability of a product. It may even confuse people to thinking that the grams of carbon are actually in the product. The best scenario is that carbon labels will help “green” consumers make choices. But the priority needs to be influencing the large majority of consumers who do not shop on the basis of their environmental concerns. Labelling cannot do that alone.

Reducing carbon in product supply chains is a must. Measuring and understanding carbon impacts is important. But developing a carbon label for consumers should not be the priority.

4. WHAT ACTION BY CONSUMERS?

As consumers, much of our impact on the planet is through the purchase and use of products. Products are therefore key to reconciling the twin objectives of sustainable development, “a strong, healthy and just society” and “living within environmental limits”.¹⁶ However, research for the Sustainable Consumption Roundtable explained that most consumers simply expect the products and services they buy to be produced in a way that is environmentally and socially responsible. If this expectation is proved, or perceived to be, unfounded, consumers can interpret this as meaning these issues are not important, and it discourages people from taking action.

Recent trends in consumer awareness show that there is a growing desire by consumers to understand the social and environmental impacts of products. If labels are well-designed and offer clear and constructive information, they can be beneficial and can, amongst other things, work to:

- support the growing numbers of “green” consumers wanting help to make pro-environmental choices;
- increase awareness among mainstream consumers of the impacts of products, and of what businesses are doing to reduce those impacts; and
- help influence consumer behaviour where the main product impact is during its use ie recommending how to wash clothes.

¹⁴ For more information see: Carbon Trust. <http://www.carbontrust.co.uk/about/presscentre/260707—CT—label.htm>

¹⁵ in conjunction with Carbon Trust and BSI.

¹⁶ Developed from *Securing the Future: UK Governments Sustainable Development Strategy*. 2005. Five principles of sustainable development p 16. <http://www.sustainable-development.gov.uk/publications/pdf/strategy/Chap%201>.

5. WHAT ACTION BY BUSINESSES?

For businesses, environmental labelling on their products can also be beneficial. In particular, they can signal a commitment to dealing with environmental issues and thus help build brand and reputation. Environmental labels also help to stimulate a better understanding by business of the impacts of products along their lifecycle.

Environmental labels can have most impact where they are able to support action by business, and work to reduce negative impacts of products along the supply chain. Products, particularly those that involve technology, are constantly evolving. As a result, standards need to be able to evolve with these changes to remain effective and relevant. Dynamic standards, such as the Japanese “top runner”¹⁷ approach, drives competition and continuous innovation and improvement in energy using products. It also provides certainty to businesses by identifying the “direction of travel” of policy objectives. Labels and their supporting standards therefore need to be designed to prompt sophisticated and specific actions that help businesses adjust their activities over time.

Labels should also be designed to enable:

- benchmarking of businesses based on their performance;
- standards that can be used by retailers to require certain standards of suppliers; and
- retailers to choice-edit the products they offer to consumers.

6. WHAT ACTION BY GOVERNMENT?

Government has an important and diverse role to encourage, enable, engage and exemplify the production and consumption of more sustainable products and services—see figure 3.¹⁸ The SDC support the work being done by both the UK and EU governments to develop product policy where products and lifestyles have the largest environmental impacts, transport, home and food.¹⁹ Another key area for government is setting standards and agreeing guidelines for environmental claims. The SDC have advocated using a toolbox of product policy interventions to facilitate change, some suggested actions are summarised in the bullets below:

(a) *Engage*

- Bringing industries and supply chains together to devise how best to effect change²⁰ through product roadmapping for sustainability
- Proper engagement and communication with the public about how behaviours and consumer choices can make a difference to sustainability.

(b) *Enable*

- Mandatory minimum standards to remove advantage for “laggard companies”.
- Fiscal incentives to support lower impact products (ie through grading VAT or vehicle tax etc.)
- Support innovation, research, development and demonstration of new low impact products and services.

(c) *Encourage*

- Set long term policy objectives (such as 60% reduction in CO₂).
- Set standards and provide best-practice advice for businesses including on metrics and their interpretation into consumer labels.

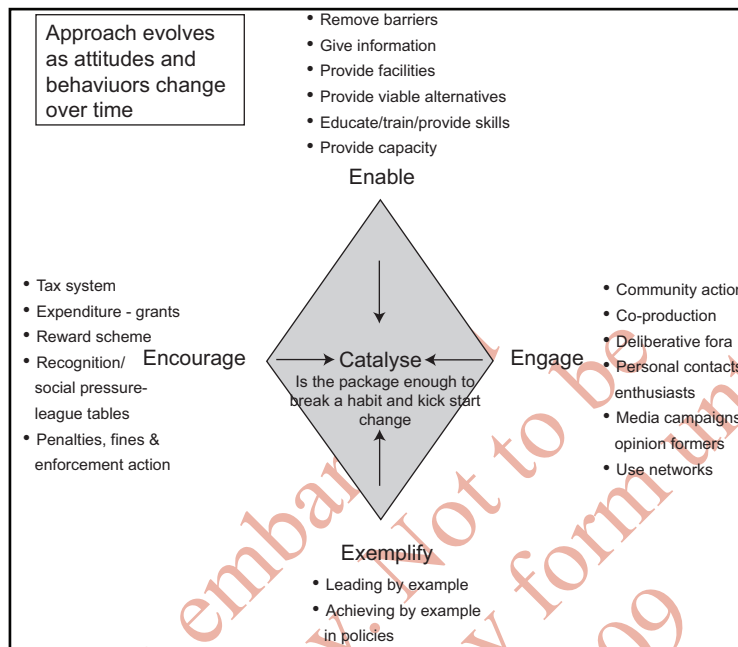
¹⁷ Manufacturers of household energy-using products in Japan are required to meet product standards equivalent to the most efficient model in each category. This “top runner” approach involves early announcements that set minimum efficiency standards, backed up by fines for any manufacturers or importers who do not conform. The process has driven a virtuous cycle of rapid innovation and choice editing which has improved energy efficiency of new appliances and products by as much as 78%.

¹⁸ Diagram taken from *Securing the Future*, 2005. UK Governments Sustainable Development Strategy. p 26. <http://www.sustainable-development.gov.uk/publications/pdf/strategy/Chap%202.pdf>

¹⁹ Following recommendations made by the Sustainable Consumption Roundtable, the UK Government are developing ten product roadmaps within these high-impact areas: milk, fish, toilets, passenger cars, TVs, lighting, motors, window systems, plaster board and clothing. For more information see <http://www.defra.gov.uk/environment/consumerprod/index.htm>

²⁰ For more information see *I will if you will* 2006.

- Potentially help develop standard templates for design of consumer labels including encouraging businesses to reflect key sustainability issues (potentially building on the existing A-G classifications for white goods).
- Ensuring that standards are properly regulated and inspected to reassure public and businesses of the authenticity of claims.



(d) *Exemplify*

- Public sector procurement of sustainable products and services as an exemplar of best practice.

7. CONCLUSION

Effective environmental labels need careful design. In order that labels and the underlying standards are functional for government, business as well as consumers, they need to be carefully designed to support actions and behaviour change from all three. To achieve the maximum impact, labels need to be supported by interventions from government and business that tangibly reward those taking action.

October 2007

Witnesses: **Dr Alan Knight**, Commissioner on Sustainable Consumption, and **Ms Sue Dibb**, Team Leader, Sustainable Consumption and Business, Sustainable Development Commission, gave evidence.

Q95 Chairman: Could I welcome you to our Sub-Committee this afternoon and just say it is very good of you to come along and give evidence. We are very interested in your recent report “You are what you sell” and I just wondered if you wanted to make a very brief statement to the Sub-Committee before we start?

Dr Knight: Yes. It really followed on from our previous report called “I will if you will”, which really looked at the sustainable consumption debate about what are the effective ways we can tackle the underlying issue to all these environmental problems, which is that we are using an awful lot of stuff to live our lives, and arguably too much stuff. If everybody in the world used that amount of stuff we would have a problem. In there we actually said that consumer products and product-related policy will

have a huge contribution to make and we introduced this phrase called “product road mapping” and that was where you get the various businesses involved in a particular product, the various policymakers and environmental and social pressure groups in the same space to talk about, “Okay, for this set of products, be it a motorcar, a flight, a patio heater, what are the big major issues with that particular product and what is the best solution for that major issue, and who in that sort of triangle of citizen, government, business, is the right person to actually deliver that solution?”. Having published “I will if you will” we recognised that we perhaps could have given more guidance and thought and leadership as the SDC on what we actually meant by road mapping and what would make a road mapping exercise successful. That is why we wrote that

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particular report, just to put some more flesh on those particular bones.

Q96 Chairman: Thank you. One of the things I was particularly interested in is in respect of the work you have been doing in encouraging companies in respect of the sustainability of their products, how central is the whole labelling issue? Is it just a sort of side bit of that work or is it absolutely core, the work you have been doing with companies?

Dr Knight: I think what we are finding is that for some issues and for some products labelling has made a profound contribution towards making those particular products a lot greener. Several examples could include the graded energy label on white goods and now on cars. The FSC label is another example for timber products. But I think the important thing about labelling, which both of the reports I refer to really give quite a lot of thought to, is that in many cases it is not actually the end consumer who is really using that label, it is the retailers and the brands who are using that label. The well-known example is B&Q choosing only to stock FSC timber. So they are actually using the labelling scheme for their own procurement decisions rather than it being a choice being offered to customers. That is why we use that phrase “choice editing” quite a lot as well.

Q97 Chairman: It would just be helpful to know what kind of other mechanisms and systems need to be in place before environmental labelling can make a useful contribution, all the work which needs to be done beforehand. What is absolutely integral to it?

Dr Knight: I think the first thing is quite a lot of consultation and quite a lot of debate. Issues like the timber debate and the white goods debate were really because the obvious big issue with white goods is energy efficiency. The obvious issue with wooden products is forestry. But in the creation of something like the FSC scheme there was an awful lot of consultation with all the interested parties and in that particular case they had to include a worldwide consultation because timber is a globally traded product. So a lot of consultation and a lot of testing, but also then quite a lot of corporate support to actually make that thing work. I think labelling schemes fail when they do not focus on a particular issue. These catch-all labels which are trying to do every single issue for every single product tend to get so diluted they are actually losing their impact. The schemes which have worked the best are schemes which are focused on a particular issue and normally focused on quite a concise set of products, like the MSC is for fish and the issue is fisheries. They tend to get a lot of traction and they tend to succeed. The other reason why they succeed is because the corporations in particular get behind them to make them work. As I said in my earlier answer, it is they who are using the label to make their purchasing decisions rather than it being a consumer information offer.

Q98 Chairman: Do you think there is a real tension between those companies and the consumers, or do you feel that what is good for business is also good for the labelling aspect of it?

Dr Knight: I think there is at face value a tension, such as would this item cost more money if it was FSC certified, but when you actually conduct research with focus groups, particularly with customers, where you actually talk through the issues in quite a lot of detail what they are now saying—and we pick this up in “I will if you will”, the research we did with consumers there—is that they have a very, very high expectation for businesses, particularly retailers, to lead on these issues. They do not want to be bombarded with choice. So when you hear things like the retailers’ commitment to only buying MSC fish, the home improvement sector’s commitment to only buying FSC timber, that is what they like. That is why I think things such as the Marks & Spencer’s plan A approach has done so well for Marks & Spencer because what Marks & Spencer are saying is, “These issues are complex. There are intellectual tensions between Fairtrade and Organic, and all that sort of stuff. Don’t worry, we’ll handle that complexity. You just come to us and you know that you have a good range of products,” whereas with other schemes where you give the information to the consumer for them to make the choice, that is when you start creating a tension because they are saying, “Well, I’m not quite sure what is the right choice to make here.”

Q99 Chairman: Is there a big difference, do you think, between the use of labels by those who are already converted and who would actually go out of their way to check something before they purchased it and, if you like, the elusive minority (or maybe majority, I am not quite sure), the people who really have not engaged with this agenda at all? How do you reach out to them in respect of the labels issue?

Dr Knight: You are talking about at consumer level?

Q100 Chairman: Yes.

Dr Knight: I think you almost have to accept that maybe they are never ever going to be reached out in the way we would like. An example is when most people go into a shop now they do not ask if that product is safe or not before they use it, such as with a t.v. set, “Can you just tell me that this t.v. set won’t electrocute me when I plug it in?” They just expect that that is the case. I think what we are beginning to see more and more with environmental and social issues that the expectation on retailers and the brands to actually just make these complicated decisions for them is getting higher and higher and higher.

Q101 Chairman: Just going back to what you were saying about customers really wanting some kind of guaranteed goods they can buy without going into all the details of it, what kind of label do you think is the most effective in communicating with customers and raising awareness? In terms of the meetings you have had or the research you have done, is there any best way of doing that?

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Dr Knight: Yes, I think what we have seen is that the labels which talk about a particular issue and the obvious issue associated with that product actually has more resonance with a customer than a catch-all label actually trying to do everything. They actually understand what the issue is. Using the examples I have wheeled out already, energy on white goods, a forestry label on a timber product, a fish label on a fish product, people actually get those. The perverse consequence of that, however, is that at face value you think customers are seeing a lot of labels and we hear lots of debate about whether we are giving customers too many labels and are we confusing them, but I think it is no coincidence that the European eco label, which is meant to tackle all issues and all products, has failed to have any traction. I would argue quite passionately the reason for that is that it is trying to do too much. People know that there is not one thing called an environmental problem, there are lots of different environmental problems and they associate different problems with different products and they expect that label to talk to that particular issue for that particular product.

Q102 Chairman: In that context, could you just tell us a little bit about the issue of waste and what consideration is being given to the disposal of goods on the point of sale and how much that is incorporated into labelling, including the potential for recycling as well? Is that something which is given a huge amount of consideration?

Dr Knight: I think in a way labelling for waste management is a good example of how perhaps labelling is not actually going to be the best solution. Giving customers the information about what type of plastic it is makes sense because plastic all looks the same and it is quite complex, but just saying on a glass bottle "Please recycle me" is almost a bit patronising and a bit facile. People know what glass looks like. They know they are handling a glass bottle. What they want is to make glass recycling easy for them. They want access to the recycling bins. They want it to be easy. So a label is not really going to make a huge difference. I also think recycling or recyclability has got a bit confused. Some labels are saying what the recycled content of the actual product is, whereas other labels are saying "This is recyclable" and I think for a lot of people "recyclable" and "recycle contents" is just a bit, "Oh, what's the difference?" The big issue at the moment that everybody is talking about is food waste. I do not really see how labelling can make a huge contribution towards reducing food waste in the home. That is a behavioural thing. It is about how much you buy. There are lots of other issues. The stance we take at SDC is that there are very clear examples where labelling has made a significant contribution towards reducing the environmental problem and sustainability problem with the product, but there are many examples where labelling is not a good solution and the whole road mapping idea which we write about is about finding the best solution, which may or may not include a label.

Chairman: Thank you.

Q103 Mark Pritchard: On the issue of labelling, I just wonder whether you think there should be an examination of the current sell-by date regime and possibly even the size of products linked to the sell-by date?

Dr Knight: We obviously need a sell-by date on products, particularly on food. We cannot function as retailers without that. If that sell-by date and the way it is calculated is leading to unnecessary food waste, then I think the methodology and the process by which the actual date is decided certainly should be reviewed. But that is not a fundamental change to the role of labelling or not, and anyway the sell-by date is not an environmental label, it is a stock management health issue.

Q104 Mark Pritchard: Yes, but if people are going to the fridge for a microwave meal and it is one day over, or the same day, and it is being thrown away because people are unsure, we could look at the actual ingredients within that product, whether you increase or decrease salt—probably decrease it is the argument today—and just whether that needs to be looked at. How transparent is the sell-by date mechanism we currently have? That is something which I think the Food Standards Agency could look at in regard to sustainable issues.

Dr Knight: Yes, I agree. I do not have deep expertise on the methodology of food labelling.

Q105 Mark Pritchard: But it is linked to the environment and we are throwing more and more stuff away than needs to be thrown away, and we are consuming more, which needs to be produced and which needs to be transported. It is a sort of pull and demand.

Dr Knight: Definitely.

Ms Dibb: I think people are confused between the sell-by date and the use-by date. The use-by date is clearly the one which indicates the date by which it is generally thought you should use a product by. Sometimes that is for safety reasons and sometimes it is just for quality reasons. I think probably it would be helpful, if consumers are confused between the sell-by date (which is the message for the retailer not to have it on the shelf after that date) and the use-by date (which is for you, the customer) then clearly there is some communication there that it would be helpful if the Food Standards Agency and the retailers themselves made that clear to consumers that it is the use-by date which is the important one. But if we are talking about food waste, I think there are a lot of other issues which bear, as Alan has said, in relation to reasons why people put a lot of food in the bins.

Q106 Jo Swinson: I just wanted to touch on the issue of rationalising labels. Your memorandum suggests that you are not, as SDC, a big fan of that and you have just talked about the problems you get, for example, with the eco label, but separately in your memorandum you do talk about the confusing number of health, safety, ethical and environmental

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labels already in existence or planned. There is a great proliferation, which can be confusing for the consumer. Do you accept there is a case for some rationalisation in some areas, even if not to the extent of just having one eco label?

Dr Knight: I think there is a more underlying problem and on food the tension is very much, do I buy Fairtrade carrots from Kenya, or do I buy locally sourced carrots from Hampshire, where I happen to live? They both seem to be sustainable things, but they are directly opposed to each other, so you are in your shop looking at these two labels and you are not quite sure what to do to do the right thing. The underlying problem is that we are creating a portfolio of labels to address single issues, supporting local farmers, fair trade in Kenya, and that sort of stuff, but we—and I mean retailing, Government, everybody, a collective mass—do not have a clear consensus or vision of what sustainable food looks like. So we have got these issues all coming from different angles with different interest groups: “I am interested in fair trade in Kenya. I am going to create a label.” “I am interested in supporting local farms. I am going to create a momentum for local sourcing.” They are so focused on that one issue that none of them are actually talking about sustainable food, they are talking about an element of sustainability, and the confusion is where you have different labels which all actually at face value are doing good but which directly contradict or cause confusion with another label. I think what the debate is lacking at the moment is, what is our vision? What is our collective vision of sustainable food? What does it look like? Once you have got a sense of that, you can then build a portfolio of tools, of which labels will be one, to actually deliver that.

Q107 Jo Swinson: If that vision could be created, would you therefore support the more generic sustainable food label rather than there being lots and lots of different ones?

Dr Knight: I certainly would support it if we are absolutely confident it will work and will not repeat the mistakes of, say, the EU eco labelling scheme, which became so diluted and so bland that everybody rejected it and stopped using it. So, cliché, cliché, let us not throw the baby out with the bathwater here. I think the other thing I would want to really spend some time looking at is what evidence there is out there that the customers are so confused they are not engaging with this debate because of, you know, a whole spectrum of labels. Some get this issue and are not confused, some probably are, but what is the problem we are trying to solve here, because we have got some very good labelling schemes here which have really driven change?

Q108 Jo Swinson: There are some very good labelling schemes and there is also a lot that people would not recognise and if they were given the logo in market research they would not necessarily be able to pick it out. I suppose it is separating the really good, well-designed and understood labelling schemes from the others, because when you have

them all on a packet there is not an awful lot of space. You have mentioned the MSC and the FSC as examples of presumably what you think are successful labels. Do you think that having a particular sort of gold standard label in each product sector or category like that is the way to go then?

Dr Knight: It could be. An alternative approach is that there are certain standards and protocols which need to be followed for a labelling scheme to exist, so it is almost like a standard for labelling schemes. So for you to have space in the marketplace you will have had to have done this amount of consultation, you will have to have done this, you will have to involve these various amounts of stakeholders. Again, the sort of road mapping approach explores that in some detail. I think in relation to the process by which a labelling scheme is devised and the method by which it is agreed it is going to be used, needs to have some consistency, but the customer might still see a tree-shaped tick for wood and a fish-shaped tick for fish rather than just seeing one label.

Q109 Jo Swinson: So an accreditation scheme for labels themselves?

Dr Knight: Yes.

Q110 Jo Swinson: You set out a long list of areas where the Government could take further action to support change in industry and consumer behaviour through the process of labelling. How confident are you that the Government will actually want to do the things you are suggesting?

Dr Knight: I think mixed at the moment. Defra have embraced the whole product road mapping in quite a lot of detail and now when you talk to them they are a lot more comfortable in recognising that business and retailers, and also public policy, have a bigger role here than just devising labelling schemes for the customer to make the choice, so that is really encouraging. I feel at the moment there is still some hesitancy to embrace some of the thought leadership, because some of the work which came out of “I will if you will” and the road mapping work is that the role of government, particularly Defra, is shifting here. Rather than just showing leadership and throwing out all the laws, which has been the sort of old-fashioned clichéd model, now it is actually convening a debate and some of the work Defra has done on things like the food trolley work, the evidence they have gathered on that, has been very, very powerful work. Two years ago all the debate was about the food miles and buying locally. The debate is now a lot more about embedded carbon, and actually buying locally sometimes has a negative environmental impact. A lot of that evidence, that thought leadership, actually came from Defra and that is now shaping some retail policies. For two years the SDC has been saying that the Government needs to create a vision for sustainable food so that you do not have that sort of conflict with DFID saying Fairtrade and Defra saying low carbon, therefore you cannot buy stuff from Kenya. That debate happened about six months ago and was quite public, but if you had a vision for sustainable food you would have had that

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debate internally and there would have been a clearer sense of what is the right food to buy. I am still seeing a bit of, “We’re not quite sure if that’s the place we want to go.”

Q111 Jo Swinson: Okay, so what would your vision of sustainable food be?

Dr Knight: A good question. I would say it is food which clearly has a low carbon footprint, surprise, surprise. It is making a neutral or positive contribution towards resolving poverty, and you could argue that poverty within this country versus overseas poverty could come under that. It is food which clearly respects finite limits, the whole one planet economy agenda, and food which clearly is geared up towards providing health and wellbeing. The way you would do that with things like chocolate—you know, people like chocolate, therefore it is a treat, but the information on it, public education about, “Don’t eat this all the time, Don’t make it your staple diet,” works. So I think what you need to do is—and again this is where the road mapping work comes in—if they are the sort of defining principles, you would then have to look at different food products to actually understand how that vision impacts on that. So with something like palm oil the big issue is going to be the Rainforest and Rainforest destruction, so you would have long debates about Rainforest destruction, but with beef it is going to be something about local versus international and the carbon footprint with the raising of the cows and all that sort of stuff, and should we just eat less beef to reduce our carbon footprint, or is there some clever technology we can use to change the biology of what happens inside cows to reduce that carbon footprint.

Q112 Mark Pritchard: Is there a definition of “sustainable” at the moment?

Dr Knight: No. I think you could say there is Bruntland and there are all these sorts of definitions you see in textbooks, but they are all sort of intellectual definitions. A lot of the definitions of sustainability talk about the balance between environmental, social and economic. There are thousands of iterations, but that is what they all say.

Q113 Mark Pritchard: You mentioned earlier about the confusion of labels and so on. Being *agent provocateur* for a moment, do you think poverty should be part of any definition? It certainly seems to be what you would like. Is that not really going to confuse people more? Is that not just going to add to the complexity of actually delivering a clearer, simpler, more transparent labelling system either for the consumer in reading it or for the producer in producing it?

Dr Knight: I think it needs to be, because not including it creates all sorts of debate about what matters more, people or the environment. Should I buy Fairtrade chocolate or should I buy organic chocolate? By actually just saying these things relate to each other –

Q114 Mark Pritchard: Can I give you an example? Let us say you buy local, and I think the best thing for climate change is actually to buy British. It is also the best thing for poverty because it means higher tax revenues out of farmers and everybody else, which means we have a higher DFID budget rather than a smaller one, so it is swings and roundabouts. It is very complex. It is a bit like sustainable timber procurement and we worked on that in our committee last year. There are too many labels and there is no real breakthrough because people are confused about the whole sustainable issue and the labels are not clear. I just think it is better to have small steps rather than giant leaps and the four categories you outline there to me are a giant leap when we have not even got to first base yet.

Dr Knight: Yes, but I was answering the question what does sustainable food look like and I could not give a definition which was a small leap because that is the less bad agenda.

Q115 Chairman: I think we go back to Jo’s question.

Dr Knight: Sorry, what was your question?

Q116 Mark Pritchard: I asked you about poverty and linking in Jo’s question of whether that should be—and it seems to be in your view—part of any definition of sustainable.

Dr Knight: The reason why it needs to be is because if you look at it from the retailers’ or the manufacturers’ perspective, they are judged on the contribution or the harm they make to people as much as they are judged on the contribution or harm they cause to the environment. What worries me is when you try and force people into a pigeon hole and say, “We do this because we are concerned about poverty. We do this because we are concerned about the environment,” the two actually compete with each other. A really good example is if you sat there and you said, “I think we should buy British as our contribution towards these issues” –

Q117 Mark Pritchard: All things being equal.

Dr Knight: Yes, but DFID would say the opposite and if I am the CSI director in a made up example of a major retailer and I want to do what is right and what reflects the opinion of Government, I am getting two very, very different opinions here from the leaders of my country. This is where your statement has actually helped, where Government has not quite gone as far as it could do, which is, can you tell me what the right answer is because different departments give me a different view, you know, “The Government view is X?”

Q118 Mark Pritchard: I think you are absolutely right. Once we have a Government definition, that is the starting point and I am glad we have had this exchange. Terminology is important and the confusion over terminology in government is sometimes helpful for any government not to take action on a particular issue because everybody is into departmental discussion about what does this term mean. I just wondered whether, talking about poverty, perhaps two out of the four categories you

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have mentioned really do not come under an environmental label but actually come under an ethical label. So if you have, I do not know, a numerical system of one to five on ethical which would include poverty and would include some of the other issues you have mentioned rather than just the environment, that might be more attractive to the consumer, where perhaps there is a bit of environmental fatigue at the moment. I heard the Chairman mention the word “convert” and there is a touch of religion about the whole environmental movement at the moment and I think it might lose some people, but if it is a wider ethical issue so that you know when you are buying, let us say, that chocolate that it is number three on the ethical code of one to five, and we know through t.v. advertising and in schools that this is the defined Government labelling system, I know that when I buy that chocolate I am actually helping a poor person as well as helping the environment.

Dr Knight: I think what the road mapping approach helps us to do and what that says is that you actually pick what is the critical issue for that particular product. I think it is fair to say that, with chocolate, high up on that list of the big issues will be label standard ethical-related issues, but for other products like fish and fisheries it actually is an environmental issue. So what we keep saying in this sort of work is, what is the big issue for your particular product? I think the other issue as well is that we also have to accept there is no clear difference between, in many cases, environmental issues and social issues. Palm oil and the destruction of the Rainforest, be it for garden benches at B&Q or palm oil in soap powder, is as much an ethical and social impact as it is an environmental impact.

Q119 Jo Swinson: It is interesting to explore this slightly in terms that obviously you are here from the Sustainable Development Commission and we are doing an inquiry into environmental labelling, but actually the Sustainable Development Commission is much wider than just the environment and perhaps it sounds, in terms of the way this place works, as if it is the Environmental Audit Committee, but I am actually with you in thinking that sustainability is much wider than just the environment. To come back to the issue of labelling, even if there could be some vision which is created and then there is a variety of things done to try and achieve that vision, one of which might be labelling, what is your view of the issue that you could have a label which might help somebody to decide within a product category which carrots to buy, which beef to buy, which would be the more sustainable option? Is there not also an element of the fact that between product categories there are differences in terms of sustainability, for example eating the amount of meat that we currently do is probably in itself less sustainable, so it is not just about choosing the best beef? How do we address those issues?

Dr Knight: It is not going to be as straightforward as a consumer-facing label and where you are drifting to with your questioning is how do we prompt a dialogue and debate about lifestyles and the

lifestyles people choose to lead. That is a far more complicated, bigger debate, and I think there are some things where public policy can certainly help. Public policy can be engineered to get people on trains more than on domestic flights. Businesses can make it easier for you to walk to the shops as opposed to driving to the shops. There are lots of things we can do, but what we actually need to have is a proper conversation with the public about their lifestyles and the impact they have. I think where you are going to is far more interesting territory because if we believe the narrative in what the SDC is saying then actually retailers have a very, very big role in offering products made in a far more sustainable way and choice editing out (like the FSC, starting with B&Q) of unsustainable products then this clarifies and crystallises where we have to have a debate with consumers about the decisions they are making. Car engine oil is a great example. There is not much you can do to make car engine oil much greener. The real environmental impact with that is pouring it down the drain instead of taking it to your local proper safe disposal site. The only way we are going to crack that, because it is a behavioural issue, is by having a conversation. That could be a label, but it would probably be something deeper. Then you get into the complexities about your diet, working from home, where you choose to work, how you choose to work. When we were writing “I will if you will” we had a dialogue with 100 people, Ds and Cs and that horrible marketing bracket, and we edited out of those people who said they were “green”, so we were talking to the non-converted. The first day we just talked to them about what matters to them in their lives, and it is no surprise, the house, the car, the family, holidays, that sort of stuff. The next day we told them who we were and then we did a 40 minute state of the planet sort of Al Gore type speech, but not just climate change, everything, and they were really, really horrified about the sorts of issues which were unfolding in the Amazon and all that sort of stuff. They said, “If it really is that bad, we expect business and Government to show more leadership and make bolder decisions, make bolder policies, and we will actually embrace them if we know that everybody else is going to do the same thing as well,” hence the title “I will if you will.” What they were saying was, “Stop giving us all these choices. Educate us on where we have to make the choice, but on things where it is hard for us to make the choice we expect business and public policy to make those decisions for us.”

Q120 Mark Pritchard: Carbon labelling you touched on earlier as a carbon label sceptic, perhaps, saying it only plays a part. I just wondered whether you could elaborate a little more on your concerns, which I think I probably agree with actually.

Dr Knight: There are several and the first one is in rejecting a consumer-facing carbon label I am not rejecting the concept of carbon footprinting. I think the concept of anybody in the supply chain knowing where the carbon peak is, so we know with dairy products it is to do with what happens in the fields

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and with things like coke and beer, where I have had some exposure, it is the making of a bottle or a can. That is really useful management information for you to make a decision about where you reduce your carbon footprint. But giving consumers a number worries me and it worries me on several levels. The first one is that the methodology is still not thought through enough. For example, the label out there at the moment stops when the product arrives on the retailer's shelf, which is not its true embedded carbon footprint. So if you look at a potato, the carbon footprint is when you actually put it in the oven. Also, if you put ten potatoes in an oven the carbon footprint per potato is going to be lower than if you put one potato in the oven, and you can do different things with that potato. So the carbon footprint varies dramatically on how you process it. Another example which is actually going to happen in the marketplace next year is that one of the leading UK peat producers has put a carbon label on it. He came to me, because I do some advisory work for Wyevale Garden Centres, very proud that they are going to be the first garden media producers to have a carbon label on their products. I said, "How is it calculated?" It is peat from the ground up to the delivery to the garden centres. When you put peat in a pot or in your garden it starts to decay because peat is a fossil fuel. It is the first stage of coal. The carbon footprint of the decay of peat, which is inevitable once you have opened the bag, is four times higher than the distribution carbon footprint. So the number—and it is one of these official carbon labels—is four times inaccurate, so it is actually giving the consumer the wrong information. With something as straightforward as a patio heater, that carbon label would be the manufacturing and delivery of that patio heater to B&Q, not the use, and we all know the story about how bad patio heaters are once you turn them on. So there is that issue. Then also I think there is the issue of double, treble, quadruple accounting, so the carbon footprint of a washing machine, the carbon footprint of clothes, the carbon footprint of the detergent are all going on, so actually you are giving customers very confusing information. Also, the other thing is that it is retailers imposing on the customer to make the choice, "We expect you to buy this bag of crisps because it is 75 as opposed to our competitor's which is 86." All the research we have done in the SDC shows that actually that sort of information should be used by the retailer to edit out unsustainable choices. It is almost this sort of notion that "We exist to give customers information and they then make the choice," as opposed to, "We should be making those choices on behalf of our customers."

Q121 Mark Pritchard: On the carbon footprint point—and I agree with you on that—do you agree with me that we should have clearer labelling on where a particular product is sourced rather than where it is packaged? At the moment there is definitely a sleight of hand on some products where people say they think they are buying British when in fact it was just packaged when it arrived in port.

Dr Knight: I agree with where you are coming from. I think there might need to be more thought on what we actually mean by where it is sourced versus where it is packaged because it is complicated. Products go backwards and forwards. I remember a garden bench at B&Q made from timber grown in Brazil, which was manufactured in China and finally packed in the UK. I think there are some really practical issues about what we actually mean by where a product is sourced versus where it is actually made.

Q122 Mark Pritchard: But the traceability of the carbon footprint would not be beyond the wit of people in Defra?

Dr Knight: No, I think we need to think through a bit more than that, because the distance of transport is not actually directly related to its carbon footprint. It is the method of transport and how efficient that transport is. Air freighting ten garden benches is very, very high carbon intensive; putting 600 in one container and putting them on a slow-moving ship would have a lower carbon footprint even if the actual distance was a lot higher.

Q123 Mark Pritchard: But irrespective of whether it is on a ship or on a plane and whether the ship or the plane goes 1,000 or 3,000 miles, there is a carbon footprint which could be traced?

Dr Knight: Yes, but if your label said that this product comes from France and this one comes from China, the implication is that the Chinese footprint would have a higher carbon footprint than the French garden bench.

Q124 Mark Pritchard: No, I am talking about the cumulative total carbon footprint so that the consumer knows.

Dr Knight: The answer is still the same. The Chinese product might actually have a much lower carbon footprint and also the manufacturing process might be a lot better, because what you are saying in that statement is that the highest carbon footprint is always the transport of the product, and in many cases it is not.

Q125 Mark Pritchard: No, I am saying that there should be a total carbon footprint statement, if you like, and transport will be part of that by definition, whether it be small, large, by air or by sea.

Dr Knight: I am sort of agreeing with you, I just think the execution needs a bit more finessing because the confusion is if I am in a shop, or I am the beer buyer for Tesco, so what? Is this good or is this bad? All the labels which have worked in the marketplace, be it the graded energy on fridges where red and orange is clearly bad and you go up the grading scale and green and yellow is clearly better. FSC is clearly good because it is a pass/fail criteria. The problem with saying China and a carbon footprint of X is that I do not know if that is good or bad.

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Q126 Chairman: That has been very enlightening in terms of the Sub-Committee and carbon labelling and it is clearly a complex issue and it is how we balance all of these things.

Dr Knight: It is, yes.

Chairman: Can I thank you for coming along. It has been a useful start to our afternoon session. Thank you very much indeed.

Memorandum submitted by Tesco

1. INTRODUCTION

1.1 We are grateful for the opportunity to submit written evidence to the Environmental Audit Committee's inquiry into environmental labelling. By way of response to the questions set out in the inquiry's terms of reference, we set out below what we see as the fundamental principles that should underpin a successful system of environmental labelling.

2. THE POWER OF CONSUMERS

2.1 Consumers have a fundamental role to play in tackling climate change and responding to other environmental challenges. In the case of climate change, this is because they control around half the emissions through their own actions and because, properly empowered in a dynamic market, they will stimulate business to innovate low-carbon products and services. The same applies to other environmental challenges.

2.2 The huge growth in sales of organic food is testimony to the fact that people will make greener choices if we give them the right information, opportunity and incentive. By expanding our range and promoting organic products through green Clubcard points and point of sale information, buying organic has become much more mainstream, with one in three customers putting at least one organic item in their trolley. We now have over 1,200 own brand organic products and our organics business is growing twice as fast as our main food business.

3. CONSUMERS WANT INFORMATION ON THE ENVIRONMENTAL IMPACT OF PRODUCTS

3.1 Our customers are increasingly aware of green issues and tell us they want our help to do more in the fight against climate change. Some 71% of consumers think they are not doing all they could to tackle climate change and one in three claim simply not to know enough about what they could do to help stop global warming.²¹

3.2. They tell us that one of the barriers to going green is a lack of information about what they can do.

3.3. Our research shows that customers would welcome clear information and labelling on the environmental impact of products, with over half saying more information would help them make greener lifestyle choices.

4. INFORMATION EMPOWERS CUSTOMERS TO ACT

4.1. Information is a powerful tool in driving behaviour change, empowering individuals to take action.

4.2. Our experience with nutritional labelling shows that giving customers the right information is the best way to get them to change their behaviour.

4.3. Nutritional labelling provides a powerful example of what might be achieved with effective, specific and targeted environmental labelling. By moving the nutritional advice from a small, mathematically-complex box on the back, to a simple Guideline Daily Amount key on the front, we saw sales swing dramatically. For example, prawn mayonnaise sandwiches saw a sudden drop in sales while those of the healthy living alternative increased. In the eight weeks following the introduction of front of pack GDA labelling on a frozen beef stroganoff ready meal (salt GDA 46%) sales fell by 46% as customers shifted to healthier alternatives. These sales patterns also led to rapid product reformulation; if a manufacturer was able to remove salt, fat and calories from their product, it was in their interest to do so. In fact, as a result of this reformulation, over the past 12 months salt levels have been reduced in over 500 products.

²¹ Penn, Schoen & Berland Associates, November 2006.

5. THE ROLE OF GOVERNMENT IS TO HELP EMPOWER CONSUMERS

5.1. Government should recognise the potential for consumers, properly empowered, to deliver change and support businesses in helping consumers make green choices.

5.2. This will be more effective than regulating for change which risks introducing inefficiencies into the market and stifling consumer action.

5.3. In terms of environmental labels, we believe that the role of government should not be to impose any particular model but, where necessary, to facilitate their development and to ensure that the claims are verifiable and robust.

6. LABELLING SHOULD BE SIMPLE, INFORMATIVE AND NOT MISLEADING

6.1. In order for a label to be effective, the information it provides must be clear, concise and easy to understand.

6.2. The success of a labelling scheme will depend upon customers' ability to understand and feel comfortable using the labels. Labels should focus on information that is easy to understand and apply and should not overwhelm consumers with excessive data.

6.3. It is for this reason that we do not believe a single environmental label is the right approach. This risks being overly-complicated, not only to agree and develop but more importantly to present, and of therefore having limited impact in driving behaviour change.

7. LABELLING IS ONLY PART OF THE SOLUTION, EDUCATION AND INCENTIVES ALSO HAVE A VITAL ROLE TO PLAY

7.1. Labelling can be a powerful tool for customers but not on its own. It must be supported by education to help customers make proper use of the information.

7.2. Our front of pack nutritional labelling has enabled customers to make healthier choices but the information we gave our customers in store, through leaflets and online empowered them to use the information on the labels effectively.

7.3. Information and education must also be accompanied by incentives to make greener choices more attractive as we know these can play a powerful role in changing customer behaviour. For example, by giving our customers green Clubcard points for every carrier bag that they do not use, we have saved over one billion bags. Similarly by halving the price of energy efficient bulbs we have quadrupled their sales. We have also just launched a new interactive website for customers called Greener Living. This is designed to be a fun and informative way to help our customers be greener and will be followed early next year with a new Greener Living range including products like energy-saving light bulbs, recycled bin liners and an energy-saving eco-kettle.

8. CARBON LABELLING

8.1. We believe the biggest public policy challenge we face is that of climate change and that clear information about the carbon cost of the products will enable customers to make effective green choices.

8.2. Customers want us to develop ways to take complicated carbon calculations and present them simply.

8.3. We are therefore working to develop a universally accepted and commonly understood measure of the carbon footprint of every product we sell. This will allow customers to compare the carbon footprints of products as easily as they compare price.

8.4. We will be working with the Carbon Trust to measure the carbon footprints of 30 of our own brand products taken from a range of categories including tomatoes, orange juice, potatoes, light bulbs and detergents.

8.5. This will bring us a step closer to providing the type of information customers need to make greener choices based on good science. Mapping the carbon footprint of these products will yield invaluable data that will benefit all those retailers and producers who are working towards combating climate change. It will also give us important information on how measurement can work in a simple, cost effective way when applied to a wide range of products.

8.6. We do, however, recognise that it will take time to create a commonly accepted and universally understood carbon labelling programme. As an interim measure we have therefore put an aeroplane symbol on all air-freighted products. We appreciate that food miles are a crude measure and that a product grown abroad and flown here may have no higher carbon footprint than a product grown out of season in a heated greenhouse in Europe. However, air freighting is generally deemed as having a detrimental impact on the environment and the label is therefore an important first step in arming consumers with the information they need to make greener choices. We are also reducing our reliance on air transport overall by restricting it to

less than 1% of our products. That said, there is clearly a strong international development case for trading with developing countries. Therefore, within this 1 per cent there will be a bias in favour of developing countries.

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Witness: Mr David North, Community and Government Director, Tesco, gave evidence.

Chairman: Could I welcome you, Mr North, and I am greatly relieved that you have not been stuck in too much traffic before arriving here this afternoon. Thank you very much indeed, to you and Tesco, for contributing to our inquiry.

Mark Pritchard: If I may, Chairman, I just want to declare an interest. I actually know Mr North personally and I wanted to put that on the record.

Q127 Chairman: Which does not mean that you will be excused from any questioning from my colleague on my right at all. If we could just begin by, as well as welcoming you, asking you about the own brand products which you have in store and asking you about the standard you have got and what your current policy is in respect of environmental labelling.

Mr North: Thank you. In terms of own brand products the standard we apply to our produce, that is fruit and vegetables, is our Nature's Choice system. We have been applying this system since the beginning of the 1990s, and it involves a series of environmental criteria, health and safety criteria and safety of the worker criteria. That, if you like, is a base standard which we set across our produce ranges. Beyond that, what you will then see in our stores is an organic brand, Fairtrade brands on some products, and cooperation with other bodies in respect of other products. In terms of environmental labelling in general, we very much welcome this inquiry and the opportunity to give evidence. Environmental labelling is an important issue because, as you were probing with Dr Knight, it opens the way to consider the extent to which business and the consumer can help and contribute towards what we have called achieving a revolution in "green" consumption, turning the "green" movement into a mass movement in "green" consumption. The caution I would give on that is that environmental labelling is one of the tools in the armoury through which that can be achieved; it is not the only tool. As again you were probing with Dr Knight, there are those issues which a business needs to address itself as part of that effort. There are other means of empowering consumers apart from environmental labelling and there are things which Government can do, including working with business to inform and empower consumers.

Q128 Chairman: So in a nutshell what do you hope your own range of labels will actually achieve?

Mr North: I think different things for different labels. I think above all the labels will stand the Tesco brand, as would be the case of any brand of any business. What that should convey to the customer is a sense that what they are buying is

reliable, has been purchased under conditions which are ethically sound and honest and in the case of products like fruit and vegetables, or other agricultural commodities, are produced to an environmental standard which we can stand by. Above that, what we communicate to customers would be a series of rather more defined objectives, so in the case of customers who want organic products those should be clearly defined, labelled and then merchandised as being organic and they should conform to organic standards. The same for Fairtrade, et cetera.

Q129 Chairman: Okay. Thank you. Can I ask you as well in terms of Tesco's standard what your standard offers above and beyond the Farm Assurance schemes which are already there like, for example, the Red Tractor?

Mr North: The Red Tractor again I think is another attempt at a base standard. I would say that if you looked at our Nature's Choice scheme you will see some standards which are in common—I do not have the detailed comparison in front of me—and some which will be different. What they have in common, I think, is that in both cases they define a really basic standard which we expect to be achieved across the range. I think it is interesting that if we look at our Nature's Choice scheme and then look at the Red Tractor, I am not sure you would say that either of those set out as their objective that of marketing a product to the consumer on the basis of any specific claim. So they have that in common, but I think they are striking at the same thing, which is a standard by which customers can feel assured.

Q130 Chairman: When you say you have got a standard by which customers can feel assured, if you perhaps looked back at some of the early Trading Standards legislation, and so on, it was very much a kind of situation whereby you were able to verify what you bought. It was a way of actually verifying the standards in that respect. I am really interested because your website says that something over 12,000 producers from over 60 countries are registered with the Nature's Choice scheme and are working towards meeting its standards. What does "working towards" mean and how verifiable is that, and how do you go about measuring whether or not those standards you are laying down for Nature's Choice have actually been met by all the 12,000 producers? What kind of audit arrangements do you have within Tesco for verifying that?

Mr North: To be clear, the audits are not done within Tesco, they are done by independent third party auditors on our behalf. What they have is a set of environmental and other criteria.

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Q131 Chairman: You say they are not done by Tesco, they are done on your behalf, so is that a sort of policy decision not to be responsible for those standards but to outsource it, as it were?

Mr North: It is generally the case, I think, that where you want something to be audited in an area like this there is a virtue in having those audited independently on behalf of the business. That would be true if we were talking about ethical auditing or whatever. Generally speaking, people will say that is the right approach because it avoids a conflict of interest within the business. The number of growers we have who are registered with Nature's Choice is around 14,000, so it is a bit higher than the 12,000 you quoted. The audits we have carried out, I think the latest number I have seen is about 3,400 and that is over about 60 countries supplying the Tesco business in the UK.¹ What they audit is a set of criteria, again which I am very happy to send to the Sub-Committee.

Q132 Chairman: I think we would be very interested to receive that actually.

Mr North: I would be very happy to do that. Broadly speaking, those focus on, for example, the rational use of pesticides, other plant protection products, fertilizers and manures. They focus on pollution prevention and control on the supplying farms. They focus on the protection of human health, for example in respect of people coming into or preferably not coming into contact with pesticides, the use of energy, water, other natural resources in producing the product, recycling because we want to limit and reduce the amount of waste material which is a by-product of production, and then wildlife and landscape conservation, but I can send the Committee the details.

Q133 Chairman: How many suppliers would you say have met those standards? Do you know?

Mr North: Sorry, I failed to answer the question on what we meant, and again I will give you the detailed breakdown because I do not have that in front of me. What working towards a standard refers to is that in some cases newer suppliers will take time to reach the standard we have set under Nature's Choice. There is also a judgment to be made, if somebody does not meet a standard, as to whether you simply cut them off and say, "You will no longer supply the business," or whether you try and work with them to help them meet that standard, again over a specified period of time, but I would have to give you the detailed numbers.²

¹ *Note by witness:* Since April 2004 when we began rolling out Nature's Choice internationally to all those supplying our UK business worldwide we have conducted 8,000 audits a year (3,400 direct farm audits and a further 4,600 audits of co-operative farms).

² *Note by witness:* All of our suppliers have to meet the minimum standard but there is a five per cent tolerance in the first year in order to enable us to take on new suppliers. These growers must be up to standard within one year of supplying us. We look to work with and support those smaller suppliers who fail to meet the minimum standard.

Q134 Chairman: That would be helpful. Do you have a deadline as well by when you would expect all those registered suppliers to be meeting that standard?

Mr North: The majority of our producers will meet the standard. The question of a deadline I think is something which has to be worked on an individual basis because it will depend on the circumstances of the producer as to what timescale they can meet the standard by.

Q135 Mark Pritchard: When was the Nature's Choice scheme introduced, Mr North?

Mr North: 1991.

Q136 Mark Pritchard: Perhaps I have missed something, but since 1991 only 20% of your suppliers have actually been audited?

Mr North: To be honest, I would have to check over what time limit the 3,400 figure has been applied, so I do not think I would say that only 20 per cent have been audited.³

Mark Pritchard: Okay. Thank you.

Q137 Chairman: With our previous witness we were interested as well in how much information consumers are actually asking for about labels. Do you, in your experience, find that consumers have anything more than a vague idea of what your label stands for and if they do not have that, do you see that as a problem?

Mr North: If we are talking about Nature's Choice, Nature's Choice is something we apply as a base standard, so by and large that is not something we seek to market to customers, so I do not think we would use the measurement of Nature's Choice as a measure of customer interest in environmental issues.

Q138 Chairman: Do you think consumers are just satisfied by any old label?

Mr North: No. What we have been detecting for, I think, a number of years but much more so over the past year or two, is an enormous increase in customer interest in environmental issues, particularly around climate change and around waste. What customers say about that is that they want help to exercise their desire to be more "green" in their purchasing choice or in their behaviour. Labelling is one aspect of trying to empower customers to exercise that choice, but there are other ways of achieving it as well. So customers tell us that the barrier to them exercising more "green" choice is first of all price or the perception that the "green" choice is more expensive. Secondly, information, of which labelling can be one aspect but is not the only aspect because it is also about what people are taught in schools, what they read in the media, what information they can receive from retailers, et cetera. Then the third aspect is a slightly more difficult one to address, which is often a sense that the individual is powerless in the face of very large challenges and problems like climate change and trying to explain

³ *Note by witness:* See footnote 1. Since the scheme began we have conducted in excess of 45,000 audits.

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to consumers over time that their individual actions can make a difference in aggregate is something we have established as a priority.

Q139 Chairman: In looking at where the demand for information and labelling is coming from, would you see it coming more from the consumers or from suppliers?

Mr North: I think it is quite a difficult question to answer because it is slightly artificial, I think, to put a group of consumers into a room and say, "What is your demand for labelling?" because I do not think they tend to see it necessarily in those terms. They will say, "We have a broader desire to lead greener lives and we need your help to do so. You then need to help us through the various ways of doing it." What customers say in terms of environmental labelling is that they do not want too many different labels. They want labels which are clear. They want them to be honest in what they claim, but they also want to understand the claim very clearly and readily. So if you take, for example, organics, it is a great success because people broadly speaking understand what an organic label means, and the same broadly is true of Fairtrade. Some other ones, which I probably will not mention, I think struggle to communicate what they are actually seeking to communicate.

Q140 Chairman: Just finally from me now, we heard from a previous witness for Marks & Spencer about the proliferation of different environmental labels and I am just wondering whether or not Tesco is currently working with independent labelling bodies either in terms of your own brand products or generally supporting other brands in your store and what kind of current debate is going on with them?

Mr North: I think there are two parts to that question, if I may. First of all, is proliferation a danger? I think it probably is, although I think the route towards helping people lead greener lifestyles lies in choice rather than the restriction of choice, and therefore I think you will inevitably have some proliferation. On the second part of your question, are we working with other organisations on this issue, including on the issue of labelling, the answer is, yes. We have had a long relationship with the Fairtrade foundation, the Marine Stewardship Council, the Forestry Sustainability Commission, the Soil Association, the Energy Saving Trust, more recently the Carbon Trust, the Woodland Trust, et cetera, so with a number of bodies to differing degrees.

Chairman: Thank you.

Q141 Mark Pritchard: I was going to ask you a Christmas question and digress. We have been bombarded with emails this week. Is it true that Tesco staff have been banned from singing Christmas carols in Tesco's stores because Tesco are too mean to pay the £80 radio licence which accompanied the singers in your stores, because several stores apparently have said they cannot have Christmas carol singers? Is that the position of Tesco?

Mr North: I was not aware of that claim, so I suspect it is not true, but I would need to check the details.

Mark Pritchard: Okay, that is fine. Thanks, Mr North. You were not expecting that one, but we have had some emails in the last couple of days.

Q142 Chairman: From now on Mr Pritchard will not stray off the remit!

Mr North: If I may, I think there do tend to be these stories and they tend not to be true, or where they have a grain of truth it is usually some way removed from how that claim eventually appears.

Q143 Mark Pritchard: But if it were to be true, would that be something that would concern you?

Mr North: If it were to be true, it would soon not be true, I think it is fair to say!

Mark Pritchard: Wonderful.

Chairman: Thank you very much.

Q144 Mark Pritchard: Okay. Great. I sound like the Prime Minister! Thank you. I have completely lost my way now. On cooperation between supermarkets—and I do not think Tesco necessarily were involved in the latest cooperation between supermarkets on milk prices for example, but given that supermarkets do cooperate on a wide range of issues do you think a more constructive type of cooperation would be working together on some sort of labelling system, because the choice, as you know, Mr North, will be that if business does not step up to the mark then Government may well impose it at a later date?

Mr North: I do agree with that. Having said that, there is a high degree of cooperation, for example on the issue on which you closed with Dr Knight, which is the question of whether there should be a carbon label on products and what that label should look like. I think that is a very good example of cooperation across the sector. Even if we disagree on what the final approach might be, we are talking about it, whether that is under the auspices of Defra or BSI, or the Carbon Trust, or indeed we have organised our own seminars. We had a two day seminar in Oxford with some of our competitors and NGOs over the summer. Another example would be recycling labelling, or labelling of whether a packaging product can be recycled, cannot be recycled because it is simply the wrong material, or somewhere in the middle where you need to check with your local authority. That is something I am pleased that retailers have got together on under the auspices of the British Retail Consortium. In this case we then went along to WRAP and said, "Can you help us on this?" and they have helped us, and we went to Defra and said, "We think this is the right approach. It is a responsible approach on the part of retailers and we would like you to help us with it."

Q145 Mark Pritchard: You mentioned the proliferation of labelling. Perhaps what was a concern is evident. Would you support a single sustainable labelling scheme for, for example, food retail products?

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Mr North: I think the short answer to that is probably not, although it would depend on what it looked like. I think I would see more dangers than I would see benefits.

Q146 Mark Pritchard: Can I probe a little more? Given that you think there is a danger of proliferation, which concerns you, but you also do not want a single label, where do you fit in between that? How many?

Mr North: Why do I believe there is a danger of proliferation? Because the purpose of a label in an environmental area, or in any other area, is to inform the customer such that they are empowered to make a choice. If there are too many, then what "too many" means is that they are no longer informing and therefore empowering the customer. As I think I said to the Chairman, there will always be a risk of proliferation where you have choice driving change in the marketplace, which I believe is the right approach. In the end, customers will decide and you will have some labels which are effective and some which are not. The difficulty, I think, with a single label is a different one, which is the question of what it would seek to communicate to the customer and I think to try and envelope a whole series of different issues into one single claim would give rise to confusion.

Q147 Mark Pritchard: You understand the point I am making with proliferation. Is it three labels, four labels? Where do you stop? Do you agree with Dr Knight that the fish label, for example, sustainable fishing, et cetera, has actually worked well? You perhaps suggest that it has not, I do not know?

Mr North: No. I think if you take an issue like fish sustainability or like carbon labelling, if you can communicate the issue you are seeking to communicate then I think there can be a merit in trying to bring labels together so that customers can understand clearly what it is you are communicating to them.

Q148 Mark Pritchard: I am still not clear. You are not for proliferation but you are not for a single label, which leads me on to my next point. Is there not a danger that Government and indeed consumers might feel that not necessarily just Tesco but that all major food retailers are deliberately hiding behind the confusion, the helpful confusion of consumes when they go into a supermarket? They are not quite sure, so in fact your sustainable agenda is not being driven because Tesco is the good corporate citizen or is altruistic or is having the Christmas cheer, it is actually being driven by consumers but driven very slowly because consumers are confused, so it is convenient to have that confusion?

Mr North: I am not sure, with respect, that I would agree that there was confusion. How would I square the problem of proliferation with clarity of labelling? I will take the example of organics, where in fact there are a number of different labels but broadly speaking people understand those to be organic. If you end up with the clarity of the organic label what

you end up with over time is the ability on the part of a retailer like Tesco to communicate clearly to our customers. What we have then achieved as a result of making sure that labelling is clear, making sure that we have got the right products and put them in the right place in the store is an increase in sales to customers of about 40 per cent over the past year or two years, which is a huge increase in sales, but that increase is driven by clarity and is driven by communication. My difficulty with a single label is not around it being the obverse of proliferation, it is actually around what it is one would seek to communicate through a single label. Would it be climate change, would it be sustainable sourcing, would it be ethical sourcing, or what? If you try and wrap those together you could end up with confusion.

Q149 Mark Pritchard: Given that you used the word "could" there and given that you have no objection in principle to skeleton argument single label, what action, what discussions are you having with Government and/or competitors to try and agree a way forward on single labelling given the absence of any discussions might bring about single labelling anyway but you would have had no input into it?

Mr North: I would be surprised if the absence of discussions led to a single environmental label. That would not be our preferred approach. If Government was to indicate that it wanted a serious set of discussions around a single label, of course we would take part in that.

Q150 Mark Pritchard: Right, but it is not something where, even though you have no objection in principle, you would want it necessarily put on the Government's agenda?

Mr North: No, because I think it is important to understand, at least from our point of view, that environmental labelling is not an end in itself, it is actually a means to communicate to and to empower customers to purchase products. Simply putting something on a label does not achieve anything unless the customer then buys that product. That then has got to be a very sober and serious question about whether the label communicates to the customer.

Q151 Mark Pritchard: On that important point of customer/consumer education, does Tesco have any plans as part of your t.v. advertising, apart from wanting to sell more products through celebrity endorsement, etcetera, to have celerity endorsement or any other type of t.v. advertising to underline and educate people on sustainable issues?

Mr North: Advertising is another part of the armoury of educating and empowering customers and we have used it. The reason I am hesitating is because I am remembering our most recent advertisements. We have done two lots recently that I can think of. First of all, we did some, I think, quite good television adverts on what we call our "local choice" milk brand, which is part of a package of measures whereby we moved away from purchasing milk through the processors and into a set of direct

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contracts, and included launching branded milk on a local county or regional basis. That is something on which we had quite a big television advertising campaign. We have also recently had a television advertising campaign on reusing carrier bags and getting a Clubcard point for every carrier bag you reuse rather than taking a new one. Both of those had celebrity participation, whether or not I would call it celebrity endorsement. Martin Clunes was in the milk adverts and various people were in the adverts on reusing carrier bags. So it is an important part of the armoury.

Mark Pritchard: Thank you.

Q152 Jo Swinson: We had, as you know, evidence from Marks & Spencer at our last evidence session and they were telling us very much about the concept which also the Sustainable Development Commission mentioned of choice editing across their entire range, that they are making these choices for consumers, which as I understand it Tesco does to a certain extent with Nature's Choice in fruit and vegetables, where everything is presumably meeting that standard. Correct me if I have got that wrong. Is it a problem because you do not control the supply chain of the rest of the lines, because obviously you are not just selling own brand products, you are not able to do that choice editing to quite the same extent?

Mr North: I do not think it is a problem because everything that we sell in our stores should meet a set of criteria. In some cases that will be underpinned by a manufacturer rather than by Tesco itself, but each of those will have a basis. In terms of choice editing, my understanding of the term is that it is generally used in a slightly different way, which is whether we would deliberately decide not to sell products on the basis of an environmental concern or on the basis of an ethical or a sustainability concern. It is a difficult area. It is the case that I think retailers, including Tesco, do exercise choice editing on a sparing basis. An example would be fish sustainability, to take probably the most obvious one. As a general approach we believe that choice properly empowered on the part of consumers is actually a better, more rapid and more sustainable route towards sustainability than choice editing, because choice editing, restricting choice, risks having perverse effects, for example not communicating with customers. Why? Because you are restricting their choice.

Q153 Jo Swinson: Would most customers notice?

Mr North: It depends what the product is. For example, we have supported the Government's ambition of ending the use of incandescent light bulbs by the Government's target date. There are those who would ask us to do that today. The difficult choice we have got there is that I think we have got a large body of customers who would notice, either because notwithstanding the fact that we have halved the price of our energy saving light bulbs there is a price differential between an energy saving bulb and an incandescent bulb, and because also there are fixtures and fittings in people's homes

which do not take the standard fitting of energy saving light bulbs. The problem there is that they would notice. If you do not communicate it to them, then they either stand confused or they will have to seek the product which you have choice edited elsewhere.

Q154 Jo Swinson: But as regards things meeting certain environmental standards, that is what you do with fruit and vegetables. You cannot walk into Tesco and buy something which does not meet this Nature's Choice standard, is that right?

Mr North: Yes.

Q155 Jo Swinson: So it is something you already do to an extent. How do you use your influence? We are always reading in the newspapers about how Tesco has a huge economic influence within supply chains and has this great muscle. How do you use that to encourage manufacturers to increase the level of their environmental standards? Do you do that?

Mr North: We do. Those end up being cooperative conversations not directions, by and large. I was reading this morning that the Secretary-General of the United Nations had defined climate change as being the single most important challenge of the age, so I think it is no surprise that a lot of our conversations at the moment with our suppliers, some of them big, some of them smaller, are about how it is we can work together to reduce our carbon footprint and to help reduce the carbon footprints of our consumers. Those conversations within Tesco and with our suppliers are taking place daily and there will be several of those taking place each day, whether they are about reducing waste, or reformulation, or whatever.

Q156 Jo Swinson: What percentage of the products you sell are own brand, roughly?

Mr North: I think if you roughly split it on a sort of 50:50 basis you would not be too far off.

Q157 Jo Swinson: So how much effort do you put into those discussions with suppliers, or indeed especially perhaps with the huge Unilever and Procter & Gamble versus the amount of effort which goes into improving the environmental credentials of your own brand product?

Mr North: If I may, I just have a point of clarification there, which is that our own brand suppliers will be producing products that will have the Tesco label on them but by and large they will be independent manufacturers, so the distinction you draw is slightly less pointed than it might seem to be.

Q158 Jo Swinson: But with your own brand goods you are getting to decide on those standards, so how much do you focus on raising those standards versus the standards that you are not getting to decide on to the same extent, because the way in which a packet of Kellogg's cornflakes is produced is not up to Tesco, whereas the way in which a packet of your own brand of cornflakes is up to you?

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Mr North: I think in a properly functioning competitive market you will find that those two processes happen much closer together. Again, if I may, listening to the end of the previous session you had on carbon labelling, it is something that I think would happen over time, which is why we do favour carbon labelling. We do favour the search for a carbon label rather than thinking it is not the right approach. The best parallel I can probably draw is on nutritional labelling, which I know is not an environmental issue, but what we have put on our nutritional labels is the percentage of the guideline daily amount of the five nutrients. What that has done, apart from driving changes in customer behaviour, is that it has driven quite a large degree of reformulation up the supply chain. That is both in respect of own label products and in respect of branded products, particularly those branded manufacturers who use the same system as us, but you will see it extending beyond that level. So in a competitive market if you are confident, as we are, that customers want to lead healthier lives or want to lead greener lives, then you will see that change driven both through own brand and branded products.

Q159 Jo Swinson: Just on that point, if there is a sort of Government recommendation of a particular type of labelling, what guarantee is there that Tesco will pay any blind bit of notice to that given the reaction to the FSA's recommendation of traffic light labelling?

Mr North: In terms of nutritional labelling we have a difference of approach with the FSA and I characterise that difference of approach on the basis that we have labelled our nutritional signposts onto virtually all of our products except for those that cannot take the label because, for example, tea bags is not an appropriate product to put a nutritional label on, I think. I would need to check that. Our difficulty with the FSA's system is that it only applies to I think seven categories of product. That is the first difficulty. The second difficulty is that we think the way they calculate their scheme risks confusion on the part of customers because they do it on a per 100 gram basis. We organise ours on a per portion basis. There are arguments in either case. Thirdly, because we think from our own research that a customer looking at a product and seeing two reds, an amber and a green would be a bit like a person at a traffic light seeing two reds, an amber and a green. They will find it hard to decide whether the right approach is to stop, to put their foot on the clutch or to press the accelerator.

Q160 Jo Swinson: But they will find percentages easier to work out?

Mr North: They do not need to work out the percentage. They need to see the percentage. That is the beauty of percentages, they are worked out for you. Are we confident that a large number of customers know that 80% is higher than 70%, 60, 50 or 40? Yes, I think we are and I think I would say that fairly unashamedly.

Q161 Jo Swinson: I agree, but somebody working out how much of something they can have—we are straying perhaps slightly off topic but looking at the two systems myself I know which I find easier to work out and I always found that maths was actually something I quite enjoyed at school. Just to go back onto the subject matter, am I right in thinking that Nature's Choice is the standard you have for all your fruit and vegetables, but you also have another range called Naturally?

Mr North: I am glad to have the opportunity to clear that up. Naturally is a much smaller system which really applies to cleaning and one or two other products, so it should not really be confused with Nature's Choice, which is a much bigger scheme.

Mark Pritchard: Could I just interject, Chairman, and put on the record my thanks for the fact that that particular labelling suggests that there is no animal testing and to applaud Tesco for their animal welfare credentials?

Q162 Jo Swinson: On Naturally, is that again similar to Nature's Choice but just for a different product range?

Mr North: No, it applies to a very small range of primarily cleaning and related products.

Q163 Jo Swinson: So consumers have got the choice of buying a Naturally one or a Tesco value one?

Mr North: They would have the choice of buying a Naturally one or a branded one, or in some cases a value one or a mid-range one, or in some cases a Finest one, but I am not sure how many Finest products we have got in the household categories.

Q164 Jo Swinson: How does Naturally actually differ from those other brands which Tesco has itself like Finest? Is it more of an accreditation scheme or is it effectively another brand?

Mr North: It is a set of products. It is 30 something products across the household range. The differentiator is that those products derive from plants. That is the main claim on which Naturally rests. We then make sure that those should exceed legislative requirements, for example on biodegradability, but it is actually generally speaking the fact that they are plant-derived and therefore overcome some of the difficulties other products might have, as Mr Pritchard explained.

Q165 Jo Swinson: Okay. Just to move on to the issue of carbon labelling, which I know we have touched on already in this session, you are one of the companies working with the Carbon Trust on a range of products to come up with the labelling system. What is the progress on that and what are you intending will happen in the future on the carbon labelling of Tesco products?

Mr North: We said in January that we would begin the search for a universally accepted and commonly understood measure of the carbon footprint of each product we sell, looking at its complete lifecycle, and that we hoped over time this would enable us to label our products so that customers could compare their carbon footprint as easily as they can compare other

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things. We have always understood that there is a number of people working on this and views differ between those who believe it is the right approach in terms of understanding the carbon footprint of a product in order to drive change up the supply chain and those who, like us, believe there is quite a lot of potential in terms of empowering customers to make choices between products with lower footprints as opposed to higher footprints. We have been very encouraged. As we were saying earlier, this is an issue on which retailers, Government, agencies in the form of the Carbon Trust and NGOs are happy to work together. We are currently embarked upon a trial of around 30 products, working with the Carbon Trust, and what we are doing is life cycle analyses of those products. We are also separately doing some work on testing the degree to which customers can understand the carbon currency and how we can try and communicate whether a product has a higher or a lower carbon footprint than, for example, the average for that category of product. It is quite detailed work. We are getting on with it as diligently and as rapidly as we can.

Q166 Jo Swinson: Do you ultimately envisage having a carbon label on all your products?

Mr North: That is our ultimate aspiration. Where we are focused more at the moment is on what the next step should be. What we found in conversation with customers was that they need help to understand what the carbon footprint of a product is expressed in grams. I know you discussed that in the previous session. They need to be able to compare that with what the average for the category might be or what a high number for that category might be, whether it is a bag of crisps, a rose, or a bag of washing powder. They also need to understand what is measured when you make the claim for that carbon footprint. Is it simply the embedded carbon in the production of the product or is there some assessment of how you might take that home, and what you might then do with it and how you might dispose of it? I think in each of those we, with our partners, need to strike a balance between ensuring that the information is comprehensive and ensuring it is actually easily understood by the consumer.

Q167 Jo Swinson: Given all these difficulties in making it easily understood for the consumer, do you think consumers will actually drive change through carbon labelling or is it more for yourselves and manufacturers of products to drive that change through wanting to improve year on year on your principal products?

Mr North: I think I differ from the answer Dr Knight gave on that. I think it is both, but I think more importantly than that if we can, through the skill of communication and to some degree through the skill of marketing, reach a position where customers are actually empowered by carbon labels on products, then you can be even more confident that manufacturers, whether they are own label manufacturers or branded manufacturers, will seek through the supply chain to reduce the footprint of those products because they will know that that will motivate consumer choice. I think if you say it is just a supply chain issue, then progress will be slower and over time will be less than if you can galvanise the consumer.

Q168 Mark Pritchard: Briefly, Mr North, you are setting out what you are doing in the United Kingdom and I just wondered whether this is being exported to your new US business? Are you leading the way in the US food retail market?

Mr North: It is early days in the US on the West Coast, but again what we have picked up in setting up that business and in building it really from scratch is that environmental sensibility is a growing and important aspect of your offer to customers and how customers in turn view you as a business. So we have established that business on the basis that it should operate with a lower carbon footprint than a comparable competitor. It should operate with products being sourced locally wherever possible with a lower environmental impact wherever that is possible. We have got the largest installation of solar power on our distribution centre serving our stores in California as well, so it is a very, very important aspect of that business.

Chairman: Okay. I think we wish you every success in trying to create environmental sustainability within a year and can I thank you for coming along and giving evidence this afternoon.

Supplementary memorandum submitted by Tesco

NATURE'S CHOICE

Auditing Criteria

Farms must have a plan for managing the environment, detailing action to protect and encourage wildlife diversity, including planting hedgerows and creating wildlife corridors. Pollution control and energy use are also important parts of the scheme, with specific controls on discharges to local watercourses, and energy use reviews by independent third parties. The Nature's Choice scheme is governed by a committee made up of suppliers, an independent academic, an auditor and Tesco managers.

Nature's Choice environmental standards are as follows:

- rational use of plant protection products, fertilisers and manures;
- pollution prevention;

- protection of human health;
- use of energy, water and other natural resources;
- recycling and re-use of material; and
- wildlife and landscape conservation and enhancement.

The compliance levels for our audits are as follows:

NATURE'S CHOICE GOLD LEVEL

- 100% Compliance with the Critical Control Points on the day of assessment.
- 100% Compliance with the Obligatory Control Points within the 28 calendar days time limit for any outstanding Corrective Actions.
- 95% to 100% Compliance of the Standard Control points on the day of the assessment.

NATURE'S CHOICE SILVER LEVEL

- 100% compliance with the critical control points within the seven calendar days corrective action time limit.
- 90%+ compliance with the obligatory control points within the 28 calendar days time limit for any outstanding corrective actions.
- 75% to 94% compliance of the standard control points on the day of the assessment.

NATURE'S CHOICE BRONZE LEVEL

- 100% compliance with the critical control points within the seven calendar day corrective action time limit.
- 75%+ compliance with the obligatory control points within the 28 calendar day time limit for any outstanding corrective actions.
- 50% to 74% compliance of the standard control points on the day of the assessment.

CONDUCTING AUDITS

The initial 3,400 audits of suppliers were carried out over a three year period between April 2004 and April 2007 whilst we rolled the standard out worldwide for supply to the UK. This number of audits we now repeat on an annual basis, with the exception of those suppliers who received gold level rating in the previous year. Being a risk-based approach, those suppliers achieving a gold level rating are audited only every two years.

Meeting the required standard

All of our suppliers have to meet the minimum standard during our audit. There is a 5% tolerance in the first year in order to enable us to take on new suppliers but these growers must be up to standard within one year of supplying us.

Upon auditing producers receive a standard grading of gold, silver or bronze, or for those failing to meet the minimal standard, "audited". Suppliers failing to meet this minimal standard are referred to our Technical Advisory Committee and will not be sourced from until they can meet at least bronze levels of compliance. In the small number of cases where this happens, we look to work with smaller suppliers to help them reach minimum standards.

This system is one of the key features that enable Nature's Choice to be able to focus on achieving continuous improvement.

January 2007

Memorandum submitted by the Energy Saving Trust

The Energy Saving Trust is pleased to respond to the Environmental Audit Committee's Inquiry on Environmental Labelling. The Energy Saving Trust was established as part of the Government's action plan in response to the 1992 Earth Summit in Rio de Janeiro, which addressed worldwide concerns on sustainable development issues. We are the UK's leading organisation working through partnerships towards the sustainable and efficient use of energy by households, communities and the road transport sector and one of the key delivery agents of the Government's climate change objectives. Our response focuses on energy

labelling of products, a key activity of the Energy Saving Trust and those areas of specific interest to the Committee where we can make informed comment. Please note that this response should not be taken as representing the views of individual Energy Saving Trust members.

1. PRODUCTS REQUIRING LABELLING

The Sub-committee would like to investigate which products are currently subject to environmental labelling, both compulsory and voluntary, and whether further products or sectors should be included under an environmental labelling scheme.

It is important to provide consumers with clear and consistent information to allow them to make informed purchasing decisions and avoid harm both to individuals and the planet. We share the Committee's concerns that the proliferation of new environmental labels could undermine the delivery of environmental benefits. However, there is good evidence that well-designed labelling schemes operated by independent and trusted sources, such as the Energy Saving Trust, can and do make a real difference in delivering positive changes to consumer purchasing behaviours. In our opinion, the greatest success in changing behaviour through environmental labelling is likely to be achieved by investing in existing labels with a proven track-record.

There are several national and international ecolabelling schemes already in operation around the world, such as the Blue Angel in Germany, which was the world's first ecolabel scheme, the Scandinavian Nordic Swan scheme and since 1992 the EU Flower scheme which aims to ultimately supersede national schemes. In general, we agree with the approach adopted by the UK Government to support the EU ecolabel rather than creating a single new UK ecolabel, which will require considerable resource to develop and promote. However, we believe that there is a case for rationalisation of the ever-increasing number of labels, whilst investing in existing UK certification and labelling schemes that focus on addressing specific environmental challenges caused by products, such as energy usage. Theoretically such labels could be brought closer together through a "family" approach which we discuss in Q3.

We believe that consumer-facing labels, supported by other approaches, are required to inform consumers and change purchasing behaviours across different market sectors. However, although different labelling schemes in the same sector may be supported by industry, they are more likely to confuse consumers who want to be able to identify instantaneously the most environmentally friendly products without having to read and assimilate data. There is therefore a strong rationale to focus efforts on existing labelling and certification schemes with a proven track record in influencing behaviour change.

In our opinion the widespread labelling of energy using appliances and energy saving products will lead to reduced energy demand, an associated carbon reduction and lower overall energy bills and is therefore a key delivery mechanism for three of the four UK energy policy goals:

- to put ourselves on a path to cutting CO₂ emissions by some 60% by about 2050, with real progress by 2020;
- to maintain the reliability of energy supplies; and
- to ensure that every home is adequately and affordably heated.

Energy labelling of products should therefore remain a priority for UK Government. Using downstream energy labels for electrical products is clearly a complementary activity to upstream decarbonisation of the UK generation sector.

However, energy labelling also needs to be underpinned by other policy mechanisms, for example by regulating the most energy inefficient products out of the market place and incentivising the most efficient products. Well-designed labelling and certification will act as a driver for manufacturers to develop more efficient appliances that will then allow Governments to remove the least efficient, and would help target any fiscal incentives Government might wish to provide to the best products. In this respect we note that closer links between energy labelling schemes and the Carbon Emissions Reduction Target would yield greater energy/carbon savings. Most importantly a successful label needs to be marketed through communication channels relevant to the target audience. Without this activity consumers are unlikely to recognise or value a label and therefore its impact will be negligible.

We strongly support the mandatory labelling of energy using products such as electrical appliances, boilers, homes and vehicles. However, we believe there is also a further need to more easily identify the most efficient products for consumers through a mechanism that can respond more quickly to fast-moving markets than the European and/or international standards that will allow more progressive governments to move ahead faster than less environmentally motivated countries. Given the increasingly global nature of markets, this will also incentivise the roll-out of more efficient products internationally. In the UK, we believe this is best done by the expansion of the Energy Saving Trust's Energy Saving Recommended (ESR) certification and labelling scheme rather than the creation of new schemes, particularly those that are ISO14024 self-declared Type II schemes (see below).



ESR is a voluntary scheme designed as a “good to best practice” label that signposts consumers to the most energy saving products in the market. It aims to endorse a maximum of the top 20% of the market in any one product category, thereby acting as a “quality mark” for lower energy consumption. Consequently it is both dynamic and flexible and can therefore respond to market developments and innovation far more quickly than other labels in the same arena (eg EU Energy Star, EU Energy Label.²² It is especially helpful to consumers as it easily identifies the most efficient products without individuals having to read and assimilate data. It not only complements the A-G labelling system but adds considerable value by identifying “best in class” for those product categories where there is currently a proliferation of A-rated appliances and facilitates continuous improvement of standards (as opposed to a more stop-start approach through international standards). Essentially products should be required to meet minimum standards but in addition a differentiator is then also required to identify the best, most efficient, least damaging products. In the case of energy, ESR is that differentiator.

ESR has been particularly effective in helping UK Government drive up the energy performance of a range of consumer appliances, particularly in white goods. For example, sales of A-rated and above cold appliances have risen from 1% of the total market in 1996 to around 70% in 2006 and in the wet appliances market the increase has been from 1% in 1996 to 86% in 2006. In conjunction with the first Energy Efficiency Commitment (EEC1) and building on previous grant and support schemes run by the Energy Saving Trust, it also enabled Government to include condensing boilers in building regulations.

ESR now covers seven sectors and 28 individual product groups resulting in over 2,500 certified products from 201 registered companies (as detailed in Appendix 1). An expansion of ESR to include household consumer electronics, homes and cars would build upon the Government’s announcement of the phase-out of energy-guzzling light bulbs and efforts to strengthen European product standards. The development of ESR is essential to not only encourage manufacturers to innovate and improve the performance of their products but also to increase engagement and help consumers purchase the most efficient/lowest carbon products.

In addition to the products currently covered by ESR, we believe that expansion of the scheme to cover the following seven product types should be a priority and as such we are currently developing product standards for each of these (although this does not guarantee implementation, which is dependent on stakeholder support and funding):

- DAB Digital Radios.
- Domestic Pipe Insulation.
- Electric Ovens.
- Microwave Ovens.
- Passive Flue Gas Heating Recovery Devices.
- New Build Domestic Homes.
- Existing Build Domestic Homes.

We are also in the early stages of compiling a medium-term strategy by the end of 2007 to inform what further product groups we go into in the future, once those above have been completed. The strategy will be completed during the rest of 2007. This could include the extension of ESR to consumer electronics and cars to deliver environmental benefits, although the fast-moving consumer electronics market would need to be managed particularly carefully.

²² Further information on these and other logos and labels commonly found on UK products can be found in the Defra guide at <http://www.defra.gov.uk/environment/consumerprod/pdf/shoppers-guide.pdf>

2. WHAT SHOULD BE SHOWN UNDER A LABELLING SYSTEM

The Sub-committee would like to assess which criteria should be illustrated by an environmental label, and how overlaps between different concerns could be adequately dealt with. The Sub-committee would also be interested in investigating how environmental labels could best convey information accurately and usefully to the consumer. Given the EAC's recent focus on climate change and related issues, the Sub-committee would be particularly interested to hear about the development and merit of labels which demonstrate the carbon footprint of a product—i.e. the carbon emitted during its production, storage and transportation.

The International Standards Organisation has developed an ISO standard (14020) on *Environmental Labels and Declarations—General Principles*, which is basically a set of general operating principles for environmental labelling schemes. The package of nine general principles for environmental labels sets the standard for best practice and in our opinion creates a useful tool for assessing labels. We support these principles as detailed below:

<i>Ref</i>	<i>Principle</i>
1.	Environmental labels and declarations shall be accurate, verifiable, relevant and not misleading.
2.	Procedures and requirements for environmental labels and declarations shall not be prepared, adopted, or applied with a view to, or with the effect of, creating unnecessary obstacles to international trade.
3.	Environmental labels and declarations shall be based on scientific methodology that is sufficiently thorough and comprehensive to support the claim and that produces results that are accurate and reproducible.
4.	Information concerning the procedure, methodology, and any criteria used to support environmental labels and declarations shall be available and provided upon request to all interested parties.
5.	The development of environmental labels and declarations shall take into consideration all relevant aspects of the life cycle of the product.
6.	Environmental labels and declarations shall not inhibit innovation, which maintains or has the potential to improve environmental performance.
7.	Any administrative requirements or information demands related to environmental labels and declarations shall be limited to those necessary to establish conformance with applicable criteria and standards of the labels and declarations.
8.	The process of developing environmental labels and declarations should include an open, participatory consultation with interested parties. Reasonable efforts should be made to achieve a consensus throughout the process.
9.	Information on the environmental aspects of products and services relevant to an environmental label or declaration shall be available to purchasers and potential purchasers from the party making the environmental label or declaration.

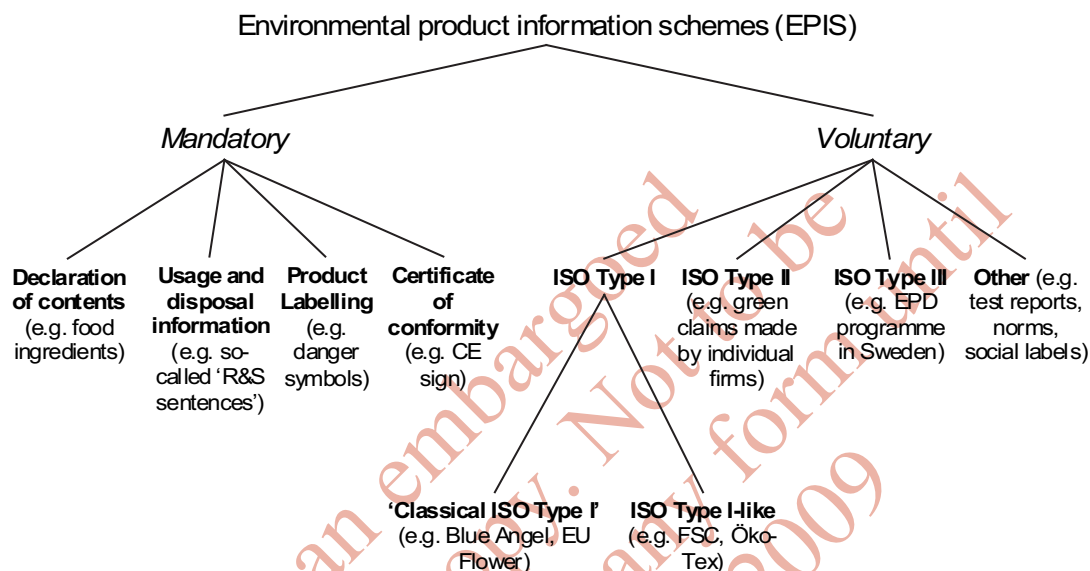
ISO 14024 on Environmental Labels and Declarations Environmental Labelling—Principles and Procedures and the equivalent for Type II and Type III effectively classify three different environmental labels as below.

<i>Ref</i>	<i>Definition</i>
Type I	Voluntary, multiple-criteria-based third party programme that awards a license which 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	A self-declared environmental claim is an environmental claim that is made, without independent third party certification, by manufacturers, importers, distributors, retailers or anyone else likely to benefit from such a claim.
Type III	Quantified environmental data for a product with pre-set categories of parameters based on the ISO 14040 series of standards, but not excluding additional environmental information provided with a Type III environmental declaration programme.

In our view, there is a real risk of “greenwash” from organisations seeking to gain a competitive advantage from being perceived as green whilst paying only “lip-service” to the issue and clearly this will be far greater with Type II schemes. The implementation of detailed procedures for calculation, effective monitoring and robust compliance testing through an independent organisation, as in the case of ESR, would be required to provide confidence in this type of label. This has been identified as a major issue when engaging with consumers by Linguistic Landscapes in the recent report *Warm Words II: How the climate story is evolving and the lessons we can learn for encouraging public action* which analyses the language of climate change.

Inevitably those companies with the strongest balance sheets will be the ones most likely to be able to afford to invest in voluntary labelling schemes including embodied carbon labels (which are self-selecting) and these may not have the lowest carbon products. In this respect we also note that products produced locally, often by smaller businesses, might be lower carbon than those imported from international markets and may be unfairly disadvantaged as they are unable to afford to invest in such labelling; although of course this will not always be the case.

Adverse publicity resulting from “greenwash” schemes is likely to have a detrimental impact on the effectiveness of robust and credible schemes. We believe greater control over such schemes, in addition to existing practices such as the Advertising Standards Agency is worth considering. Specific examples of mandatory and voluntary approaches are provided below.



Invariably the type of information that should be shown on a labelling system depends on the type of label and the target audience. The best placed organisations to determine this are consumer-facing organisations that already understand and proactively engage with consumers through multi-channel approaches.

We believe that it is important for businesses to understand and reduce the embodied carbon ie the carbon footprint of their products. This can be undertaken and incentivised without the need for a consumer facing label. A consumer facing label illustrating the embodied carbon of a product might help leverage corporate action, however any such labels would need to be developed in a consistent manner to other relevant consumer facing labels in order to avoid confusion and is clearly best done through independent and trusted consumer facing organisations in a clear and consistent manner.

Consumers need to be signposted to the lowest carbon products in a meaningful way that is easy to understand. If not done correctly there is a risk with embodied carbon labels (as with any label) that this doesn't happen and that consumers dis-engage from successful labelling schemes. For instance, many consumers won't understand what “embodied” carbon means, how it is calculated or whether X gCO₂ is good or bad. The level of understanding of consumers in relation to their impact on climate change including the products they purchase needs to be raised to enable the concept of embodied carbon to become meaningful. Research shows that most consumers do not understand carbon labelling or embodied energy and that it currently doesn't affect their decision making, but they do understand energy saving (particularly in the context of money saving) and consider this when purchasing lighting and white goods but considerably less (if at all) in the case of other products, particularly consumer electronics.

As with any label the key will be to develop a consumer-facing and highly visual labelling system that consumers can see and understand immediately and will encourage consumers from all walks of life to engage with the concept of embodied carbon (even though the term itself may not be used explicitly) and take action through the purchasing of products with lower embodied carbon. However, isolated product labelling won't allow consumers to make an informed choice about, for example, which crisp manufacturer produces a lower carbon product than the other. A simple carbon saving recommended label identifying the lowest carbon products in any one product sector would be far more effective for a consumer-facing label but would need far wider coverage to be successful.

We support the development of a life-cycle evidence base that would allow the setting of standards in key consumer-facing sectors such as food and drink, passenger transport, buildings and appliances etc, which will require Government leadership. In this respect the creation of a new Products and Materials Unit in Defra is helpful. We also note that in some areas, such as food, the relativity of constituents and their impact (eg salt, fat, sugar, vitamins) is far more complex.

A key issue when considering carbon labels is whether the in-use phase (ie the energy consumed/carbon emitted during the actual use of a product as opposed to that during its production, storage and transportation) should be included or excluded in a carbon label standard. We are concerned that the inclusion of the in-use phase with embodied carbon in a single label would be detrimental to changing consumer behaviour and advocate that it be excluded from any carbon label.

The “single number” that would be provided by an “embodied + in-use” carbon label would have to represent some kind of average, which invariably will not reflect actual individual consumer use. For instance, at a basic level a carrot could be eaten raw, cooked in a microwave, boiled in a large saucepan of water etc. Other concerns include:

- Reporting average use in itself is not a trigger that will influence individual behavioural change.
- There can be large qualitative differences between saying “x gCO₂ went into putting this product on the shelf” and “using this product in accordance with a standard methodology will result in y gCO₂ emissions”
- For some products, there are no in-use phase emissions (eg crisps), whilst for others, typically where energy use is significant and direct (eg EU labelled goods, cars) there are already agreed standards. For the other products in between (shampoo, cleaning products, food etc) there are considerable unknowns and variants.
- It is widely recognised that data on the in-use phase is sparse and much more difficult to obtain than the embodied carbon of a product. Additional methodologies for assessing the in-use phase for each product will need to be developed and agreed.
- There is substantial additional workload for a company in having to calculate the in-use phase emissions, which are outside of their control and not a core competence unlike the production cycle of their own products.
- The additional effort both initially and on an ongoing basis that would be required from companies in order to include in-use phase emissions could deter participation.

In the short to medium term we believe that the greatest carbon saving will be achieved by continuing with energy saving labelling as the main focus for consumers whilst efforts are separately focused on businesses to reduce the embodied carbon of their products. Currently “embodied + in-use” labels or separate consumer-facing energy and carbon labels are more likely to confuse than engage. The Energy Saving Trust has proven expertise and knowledge in raising awareness and advising consumers on their energy usage/associated carbon impact via our existing channels and infrastructure). Moving forward, we therefore believe that the Energy Saving Trust, working closely with Government and other key stakeholders, is best placed to determine how to provide consumers with information on embodied carbon and more importantly to help them to act upon it.

3. THE CASE FOR RATIONALISING ENVIRONMENTAL LABELS

The Sub-committee would like to assess whether concerns over the proliferation of environmental labels are justified, and the extent to which consumers are able to cope and engage with the many different labels on the market. The Sub-committee would also like to investigate whether there is a case for rationalising the system of environmental labelling, or for calling for certain labels to be given priority when displayed on products.

Please see our response to Q1. We believe that the proven track record of ESR, managed by an independent and trusted organisation, the strong linkages with Government energy and environmental policy combined with the major support it receives from industry and other stakeholders justifies it being given priority for both Government support and when being displayed on products. No other energy efficiency product label has this scope and breadth.

We agree that a proliferation of schemes can be confusing and that in some areas rationalisation is likely to prove helpful, for example the number of certified “organic” schemes. There is also a major risk about making things too complicated for consumers, especially by schemes that adopt a multi-dimensional rating approach that require consumers to consider detailed information as opposed to a far simpler “mark” approach that identifies a product as being one of the most environmentally friendly in that product category. For example, an “at-a-glance” accreditation scheme would provide the comfort and clarity required by consumers and be far more effective than a multi-rated green tariff certification scheme, which would be too complicated to engage consumers.

We would support research into exploring the benefits in rationalising schemes. It is hard to envisage consumers during their weekly supermarket shop looking at the label on each product they plan to purchase then comparing it with the labels on all other similar products whilst taking into account other attributes such as price and brand. One option could be to develop a small “family” of consumer-facing labels specifically for the UK that would address the key environmental issues facing consumers (for example energy usage, sustainability of production method, use of natural resources etc) and signpost customers to the most environmentally friendly products available i.e. the top 20% through an “at a glance” label. We would envisage ESR being a critical part of this family. It is important to start to bring together environmental issues such as energy, waste, water etc.

Promoting a labelling scheme, both widely and fairly, is vital to its success and our national network of Energy Saving Trust advice centres (ESTACs) provides a strong infrastructure to underpin ESR. Although we have not explored the possibilities, in principle our ESTAC infrastructure could be helpful in raising the profile and effectiveness of other key consumer-facing labelling schemes.

4. THE IMPACT OF ENVIRONMENTAL LABELLING ON CONSUMER BEHAVIOUR

The Sub-committee would be interested in assessing how easily consumers understand environmental labels, and whether environmental labelling has a significant impact on human behaviour; not only whether it can reinforce and assist existing positive environmental behaviour, but also whether it can cause behavioural change.

The Energy Saving Trust evaluates the effectiveness of our ESR labelling and supporting marketing/trade activities. The starting point for consideration of the effectiveness of a label is not whether people understand the label but whether they actually look for it in the first place. We also note that an accredited backed logo is far simpler to understand than a label (or different types of labels aiming to provide the same information) providing detailed information in small print.

Our 2005–06²³ evaluation survey of a sample of the general public revealed that 19% of those purchasing an appliance during the financial year 2005–06 claim to have looked for the ESR logo. Invariably numbers of people taking account of a label will be lower than those who recognise a label. For instance 2006–07²⁴ market research shows that 39% of people recognise the ESR label when prompted. This compares to 18% (Energy Star), 59% (European Energy label) and just 4% (vehicle label), although of course some labels are on a greater number of products and therefore visibility would be higher.

Our research also shows that in 13% of cases, appliance purchasers bought an ESR appliance and claim they would not have purchased that particular ESR appliance if it had not had the ESR logo on it. This provides strong evidence that for these purchasers energy efficiency is a “must have” buying criterion alongside other better known key requirements such as price and size. It also shows that the ESR logo provides a simple, clear signal to allow buyers to identify the most energy efficient products and to meet this buying criterion.

The findings also illustrate the importance of promoting the ESR label through more than one route, not just directly to the consumer but also through retailers and manufacturers. Purchasers are more likely to look out for the logo themselves (19% of buyers) than have a member of retail staff point it out to them (reported by 10% of buyers). For many, their own awareness of the logo through our consumer advertising and PR activities and the information available through EST advice centres and our website is enough to encourage them to look for the logo and buy ESR goods. However, the retail environment and retail sales staff can also play an important role in persuading the public to buy ESR goods as our research shows that the impact of ESR on purchasing decisions is increased if the retailer points out the logo to the buyer. For example, in 2005–06, overall 13% of washing machine sales were ESR and would not have been bought had they not been ESR, rising to 19% when the retailer pointed out the logo.

Research with our retail partners undertaken in 2004–05 also reflects these findings. Retailers noted the value of the Energy Saving Trust marketing of ESR to consumers and the extent to which it was easier to sell an ESR product to a customer that was already aware of the logo. They also noted their customers proactively request ESR products. Key success factors for ESR include the simplicity an “at-a-glance” label provides, that it is backed by an independent and trusted organisation with national marketing and promotion and involves the leading manufacturers and retailers. It is worth noting that retailers would like to see greater effort behind information, education and awareness promotion of ESR to consumers.

5. THE REGULATION OF ENVIRONMENTAL LABELLING

The Sub-committee would like to examine the ways in which environmental labels are calculated, assessed and awarded, and would also like to investigate the current regulation to which these labels are subjected. The Sub-committee would welcome assessments of whether current levels of regulation are adequate, or whether further regulation, be it wider in scope or stricter in demand, is required.

²³ Note: The evaluation results from 2004–05 were better than in 2005–06 as ESR was re-branded with related visual changes in the logo leading to a drop in consumer recognition.

²⁴ Our 2006–07 evaluation survey will not be available until later this year. The quoted evaluation survey and market research results are not directly comparable and can only be used to provide an indication of the relativity between awareness and action.

The underpinning process for labelling schemes will vary considerably and some will inevitably be more robust than others depending most notably on the type of label, the level of independence of the certifying body and the degree of compliance testing. The process for ESR can be summarised as follows:

Calculation

- The standard-setting process is supported by a detailed procedure for justifying the endorsement of the product category. The procedure involves: specifying the energy savings endorsement would deliver; forecasting future sales with and without endorsement; explaining how product endorsement complements the wider national and international product policy agenda; stating the marketing commitments to support the product endorsement; summarising the product testing that can support the endorsement; and specifying details of stakeholder support (eg manufacturers, suppliers, associations, NGOs).
- The ESR scheme benefits greatly from working through the Energy Efficiency Partnership for Homes, which is a network of approximately 400 UK organisations involved in the energy efficiency sector. The Partnership's 17 sector working groups, including one for each of the industrial sectors (eg appliances, lighting) meet on a quarterly basis and provide an ideal basis in which to communicate with the industry and receive feedback on new product endorsement and the review of existing endorsement criteria. The Market Transformation Programme (MTP) provides sector specific technical expertise and a linkage with the Government's sustainable products evidence base, its wider policy network and its modelling capacity.
- Independent peer review of the calculations is provided by the Endorsement Panel. The Endorsement Panel is a body of independent experts from a variety of fields including regulatory, policy, consumer support, certification and environment. The Panel meets on a quarterly basis to advise on the management of the Scheme and in particular considers and issues recommendations on the endorsement criteria proposals presented to them.

Assessment

- The Table contained in Appendix 1 identifies the method of verification. On average across all 28 product groups, a majority of our standards require independent third party verification. Our working presumption for new products is that we require independent verification.
- We also have an internal review process, which ensures that different personnel are involved with evaluations of the applications and with taking certification decisions (for both company and product applications). This is standard certification practice. In addition an internal peer review is carried out by colleagues not already involved in the evaluation process.

Monitoring

- The validity and integrity of the data presented to the public is maintained through a six-weekly review of the certified products. This process involves making contact with each member every six weeks and seeking confirmation that the certified products are still in production and available for purchase in the UK.
- Once established, the Scheme has an objective to review the product endorsement criteria on an annual basis. The endorsement criteria review procedure involves addressing similar areas to those answered in the original justification for the standards. This ensures that the argument for continuing ESR endorsement remains valid. The Scheme has an objective—where product groups can be differentiated by their energy efficiency properties—to endorse the top 20% of the market. The objectives set for the programme and the procedures established for their delivery help to ensure objectives continue to be met.

Compliance Testing

- The Energy Saving Trust undertakes compliance testing on Energy Saving Recommended products in order to assess whether they continue to meet the criteria to which they were originally certified. The Scheme has an objective to compliance test around 5% of certified products every year. If a product fails a compliance test, manufacturers are given the opportunity to comment on the test results, which could lead to a challenge. If a manufacturer does not contest the result, or if the challenge is unsuccessful, the product will be deregistered. Non-attributable results are circulated to stakeholders.

Regulation

- The Energy Saving Trust is not aware of any regulations specifically for voluntary environmental product labels.

We believe that consideration for greater regulation of less robust labels, particularly Type II schemes is justified. In particular, it is important to prevent the use of labels/marks that make a product look good when it isn't relevant to others in the same product category. Whilst we support the increased engagement of business on environmental issues, we believe there are justifiable concerns about "greenwash" and some ecobranders that are not independently certified. Ideally all labelling schemes should be underpinned by robust evidence.

6. EXPORTS FROM DEVELOPING COUNTRIES

The Sub-committee would also like to investigate the impact of environmental labelling on exports from developing countries, and in particular whether labelling of this kind could have a detrimental impact on the trade opportunities available to these countries.

As this is not an area of our core expertise, we have no comments or evidence to submit.

7. INTERNATIONAL LABELLING

Finally, the Sub-committee would be interested in assessing the feasibility of an international environmental labelling system, and the extent to which this would be compatible with the rules on trade set out by the WTO.

Agreement at a European or International scale will inevitably mean compromise, often at the lowest common denominator ie a requirement that every one can agree on. In practice, in the any labelling scheme that has this much coverage would rely on a manufacturer's self declaration of conformance with the standards, not an independent third party assessment. The implementation of detailed procedures for calculation, effective monitoring and robust compliance testing through an independent organisation, as in the case of ESR, would be required to ensure the credibility of this type of label. Examples of European or International labelling Schemes include the EU Energy Label and the EU Energy Star for office equipment where both rely on a manufacturer's self-declaration for conformance.

We are not best placed to comment on WTO rules, although we note that ISO 14024 principle 2 above states:

Procedures and requirements for environmental labels and declarations shall not be prepared, adopted, or applied with a view to, or with the effect of, creating unnecessary obstacles to international trade.

5 October 2007

APPENDIX 1

ENERGY SAVING RECOMMENDED (ESR)

The Energy Saving Recommended scheme was established at the request of Government and launched by the Energy Saving Trust in July 2000. ESR is a voluntary product labelling scheme for domestic energy saving products with the broad aim to signpost consumers to the most energy saving products in the market. It is a key driver in changing consumer's purchasing behaviour. Through Government funding, the Energy Saving Trust is using ESR as a tool to deliver energy and carbon savings via its interaction with the various energy efficiency stakeholders in the UK across the supply chain.

ESR is designed as a "good to best practice" label, aiming to endorse a maximum of the top 20% of the market in any product category. Consequently it is both dynamic and flexible and can respond to market developments and innovation far more quickly than other labels in the same arena (eg EU Energy Star, EU Energy Label).

At the end of September 2007, ESR covered seven sectors and 28 individual product groups with standards that are regularly reviewed and revised to help drive the market for energy efficient products. In 2005-06 nine sets of product standards were reviewed and revised, a further 13 reviews/revisions were delivered in 2006-07 and seven new ones have been completed in 2007-08 so far with more expected. ESR

now covers in excess of 2,500 certified products with 201 registered companies (117 manufacturers, 18 suppliers and 66 retailers). ESR therefore has the widest scope of any energy efficiency product label in the UK. No other energy efficiency product labelling scheme in the UK has the level of product compliance testing and ongoing monitoring to assess whether certified products continue to meet the scheme standards. On a European scale the Energy Saving Trust is one of the most prolific independent product testers.

Sector and Product Coverage of ESR

<i>Sector</i>	<i>Product Group</i>	<i>V²⁵</i>
Appliances	Cold Appliances (Refrigerators, Freezers, Fridge Freezers, Chest Freezers)	M
	Washing Machines	M
	Dishwashers	M
	Electric Tumble Dryers	M
	Gas Tumble Dryers	M
	Kettles and Instantaneous Water Heaters	I
Consumer Electronics (CE)	Integrated Digital Televisions	M
	Simple Set Top Boxes	M
	Digital Television Recorders	I
	Energy Saving Mains Controllers (CE equipment)	I
Information and Communication Technology (ICT)	Desktop Computers	M
	Laptop Computers	M
	Imaging Equipment (inkjet printers, inkjet multi-functional devices, photo printers)	M
	Computer Monitors	M
Heating	Energy Saving Mains Controllers (ICT equipment)	I
	Natural Gas and LPG Boilers	I
	Oil Boilers	I
	Gas Central Heating Controls	M
Insulation	Hot Water Cylinders	I
	Cavity Wall Insulation	I
	Loft Insulation	I
	External Wall Insulation	I
Lighting	Dry Lining Insulation	I
	Compact Fluorescent Light bulbs (CFLs)	I
	Candle Effect CFLs	I
	Halogen Bulbs	I
Glazing	Dedicated Low Energy Luminaires	I
	Windows	I

Energy Saving Trust's planned expansion of ESR to include household consumer electronics, homes and cars will build upon Government's announcement of the phase-out of energy-guzzling light bulbs and efforts to strengthen European product standards. The development of ESR is essential to not only encourage manufacturers to improve the performance of their products but also to increase engagement and help consumers purchase the lowest carbon products. Where appropriate, we are expanding beyond just energy efficiency for instance in the case of dishwashers we now set water consumption performance requirements and aim to do likewise for washing machines too (as energy and hot water usage is intrinsically linked). Our proposed new build and existing homes standards could also go beyond energy efficiency too.

²⁵ "V"—verification, "M"—manufacturers self-declaration, "I"—independent third party testing.

Witnesses: Mr Brian Samuel, Head of Policy Research, and Mr Matthew Wright, Director of Customer Insight, Energy Saving Trust, gave evidence.

Q169 Chairman: Can I just welcome you, Mr Wright and Mr Samuel, to our session this afternoon. I hope you will bear with us because when we fixed the evidence session we were not necessarily aware that we would be facing a division at four o'clock, so I hope you will bear with us if the division bell goes within the next few minutes or so. I think you have sat in for some of the sessions we have had this afternoon, but I just wanted to, by way of welcome, kick right into the session but just ask if there is anything you wanted to contribute to our inquiry at the outset, because we are very much aware that the Energy Saving Trust has been doing a lot of very detailed work on this subject?

Mr Wright: I think just to say, to start off with, the purpose of labelling. We absolutely agree, I think, with the statements made earlier on, in that it is about helping consumers to make informed product choices both within a category and also across categories so that they can actually make that comparison simply and easily. I think labelling is part of a wider education process of consumers as such and that we have got to reflect on why consumers are interested in this. In our particular case it is an interest in energy and the motivations are likely to be either for environmental reasons or for money saving reasons. I think it is important to state that as the fundamental purpose of labelling.

Q170 Chairman: Thank you. I think one of the things which struck us is that of all the different labels there have been, home appliance labelling does seem to have been a big success story in respect of environmental labelling. What are the lessons we need to be learning from that and why has that particularly been so successful in influencing consumer behaviour?

Mr Wright: I think it has been very successful and I think it has been particularly successful on the larger white goods as such, so obviously fridges and freezers. What is important to say there is that it is a simple scheme which has been out there for quite some considerable time. So what we are seeing is that consumers are adopting an energy-saving interest actually when they are going to make a product decision. The interesting point is, of course, that in the very large white goods that is clear, but part of our role is to see energy labelling broadened out and what we see is that it is perhaps more difficult to have an energy label on an MP3 player rather than large white goods and therefore we just need to understand where the consumer is on that journey in terms of understanding.

Q171 Chairman: So what lessons are there for the wider debate about labelling in your experience?

Mr Samuel: I think there are a couple of interesting features here really. In relation to energy labelling there are actually two schemes. There is the A–G European label, which addresses a smaller number of larger energy consuming products and there are eight product categories, and then there is the Energy Saving Recommended label which addresses a larger number of categories, 28, but identifies a

simple easy to look at mark for the best in class of those 28 product categories. That is a much smaller number, 2,500 products, compared with many tens of thousands. These labels are complementary. The A–G label is very slow at change, so therefore the ESR allows manufacturers to differentiate their products and signposts manufacturers to the standards three years hence, for example. It is not just a consumer-facing label but it is an enabling mechanism. It is underpinned with buyer guides which actually inform the buyers so that they can make the right choices for their retail companies, and it is underpinned by marketing activity to provide incentives to retailers to stock those products. I would add that one of the criticisms sometimes of the scheme is that there is not sufficient marketing. We only have a very small budget to do that, but basically the key message really is that you need to underpin labelling schemes with other mechanisms. On their own they will not work. We inform and signpost our consumers to Energy Saving Recommended through our website and through other marketing material. A simple, clear to look at sign works very well indeed. For regular purchases people have a four second window of opportunity to actually look and make that decision. They are not going to look in detail at an A–G label. However, an A–G label does actually work at a much higher European and global sort of level and helps drive standards as well, so there is a combination there.

Q172 Chairman: Thank you. One last thought on this series of questions really is, do you have any competitors?

Mr Samuel: At the moment no, I would say.

Q173 Chairman: On the horizon?

Mr Samuel: There are a number of competitors on the horizon.

Q174 Chairman: Who might they be?

Mr Samuel: Obviously you have the proprietary-type labels, or eco brands, and a number of companies are looking at energy labelling from that perspective. You also have the potential carbon label, although I would say that we are working very closely with the Carbon Trust and we are leading on the consumer-facing aspects of that label. That label is a different type of label and we feel very strongly it is best placed with manufacturers and producers, informing their business as the SDC pointed out earlier. For consumers, they are much more interested in energy in use. They do not really understand carbon. Thirty per cent of people understand carbon. For embodied carbon it is a very small number of enthusiasts who understand what embodied carbon actually is. It does not mean anything to consumers at the moment. That is not to say they should not be educated about carbon and about the impact it has on their day to day lives through their homes, their transport and through their purchasing as well. However, it is an educational process and we are not there yet. It is

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something we should aim for and in the future I can see a move from energy in use to carbon, but we are not there yet.

Q175 Chairman: Did you want to come in on that, Mr Wright?

Mr Wright: I was just going to say that at some point without a shadow of doubt the lifetime use of carbon will be the issue, but very clearly consumers are at the moment in this quadrant which would be energy in use. The question is, how do we get there? We can go from energy in use to carbon in use to total carbon lifetime, or we can go from energy in use to energy lifetime to carbon lifetime. The question is, how do you get to that ultimate goal? But at the moment consumers are telling us it is very much about energy in use. I think it is also perhaps helpful to say we have had a number of discussions with the major retailers, particularly those of electrical products, including in fact Tesco, and what they were telling us was, "Please keep, in terms of energy, very much along the lines of what we have. Consumers recognise the EU label, they recognise the ESR label. Please don't do things which are at the moment going to have a risk of confusion for the consumer," although they are saying in the same breath that at some point this carbon lifetime will have to be considered.

Chairman: Thank you.

Q176 Jo Swinson: A couple of follow-ups on that. You mentioned the lack of willingness to change the energy label and you have got a very successful scheme, but you still think there will be competitors on the horizon. Why are the competitors not happy with your scheme? Is it because their products do not come out very well on it?

Mr Samuel: I do not think it is necessarily that they are unhappy with the scheme. I think it is more about looking for the eco brand and one of our concerns is around "greenwash". We have had quite a bit of evidence that that is increasing. Of even more concern is the fact that in some companies/organisations the lead department for labelling activity is the PR department. That is a very worrying trend and it is not evidence-based.

Q177 Jo Swinson: Absolutely. You are a big fan of the in-use phase being the key thing with energy, but in your memorandum you said, "We are concerned that the inclusion of the in-use phase with embodied carbon in a single label would be detrimental to changing consumer behaviour". Why the difference?

Mr Wright: If you look at why consumers look at labelling, one of the issues, particularly in the energy area, is the sort of equivalence in a consumer's mind that if this is not a big energy consumer it is actually going to save me money. So if we then start bulking in all the energy that was embedded in the product in its creation, that is not going to be helpful to the consumer who is making a decision about that product relative to the amount of money it is going to cost him in use. Therefore, that is why we see an element of confusion.

Q178 Jo Swinson: That is almost making an argument for not including embodied carbon, but it is the in-use phase that you do not want to include?

Mr Samuel: I think what we are saying at the moment is that it is not ready to have the in-use. People are much more interested in saving pounds and hence the translation into saving energy. Again, coming back to Energy Saving Recommended, that is why that works because people do not know how it is derived, but they know that that particular product is one of the roughly 20% best products and will save you energy and will save you money.

Q179 Jo Swinson: So when we have carbon budgets that might make sense?

Mr Samuel: If you move to personal carbon trading or a cap and trade supplies obligation, that provides a different driver, but again we are not there yet.

Q180 Jo Swinson: That label that you had, the ESR label, it is very, very simple. There is hardly any information on it at all, no carbon brands or anything. Was that deliberate? Why have you gone for a very simple label? What is the advantage?

Mr Wright: I think it is because it is the idea that it is only applicable to the top 20% in any category. So I think what we have got to look at is that you have got an underpinning of the EU label as such. In particular areas in the EU label everything, because of the nature of the process, and it is quite slow, there is a sort of skewing of all the products now into A, maybe AAA, maybe AAA+ and various other things. So what the ESR enables you to do is to actually stretch out that top category so that for consumers it is very clear as to what are the leading energy saving products in that category.

Q181 Jo Swinson: We spoke to the Secretary of State for Defra just last week and he had this idea and he said that in addition to the energy rating it might be useful to have the average cost of running the appliance per month somewhere on the label. What do you think of this idea? Is it workable?

Mr Wright: I think there are two elements there. What price are you going to take as your unit price for electricity at any one time? I think the element which is important there is that it comes back to the idea that it is money-related, so I think we have always got this duopoly to think about. There are consumers who are motivated by money, and by and large that is the majority of the market, and there are those who are buying products purely on environmental grounds, which is a much smaller area of the market. So some retailers are exploring this at the moment, so that what you can go to some retailers and see is an average cost of this product to use when it is used and also an average cost of this product when it is on standby, but I think it is more complicated than it appears to be.

Mr Samuel: If I could just add to that, I think the key mechanism is to get people to change their behaviour. The most important thing about certain products is how you actually use them, so if you have a price for a product that is on 24 hours a day then that perhaps could be quite useful, but if it is a

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washing machine or a washer/dryer it depends how you load it, at what temperature you wash clothes in it, whether you hang the clothes out or tumble dry and how often you use it, so it does not actually provide that information. What I think would be far better is to have a mandatory roll-out of smart metering with consumer displays that provide real-time information in-house as people use those appliances.

Q182 Mark Pritchard: Would you say, just to interject, that basically that idea is a dead duck?

Chairman: Whose idea?

Mark Pritchard: The Secretary of State's idea.

Mr Samuel: I think it has some merit in the sense the price information is what is important to consumers and I think when you look at differentials between standby and on/off *et cetera*, again there are some merits. We need to explore it a little bit further, but I think it would be very difficult and I think there are perhaps better ways of providing information.

Q183 Mark Pritchard: So do you think it is going in the wrong direction?

Mr Samuel: I think in general probably.

Q184 Mark Pritchard: We have got very limited time, gentlemen, because there is going to be a vote shortly. On your family of labels, you touched on it earlier and I just wonder whether you can elaborate a little more?

Mr Samuel: Yes. It was an idea really about the fact that there is a proliferation of labels and looking at how best to manage that. Obviously you could regulate but there are issues around consumer choice. I think what would be useful is if you identified a smaller number of core labels. For example, if you had a single label then how would you actually take energy content and rate the importance of energy content or carbon content?

Q185 Mark Pritchard: You say a smaller number of labels. It is interesting—and you were here when Mr North from Tesco was here—he was not in favour of a single label, although he was not against it in principle, but he did not want proliferation. You have said there is proliferation and that the family needs to be a small family rather than a large family. Do you think Government should be leading on this and defining first of all what sustainable is, and secondly how large that family of labels might be?

Mr Samuel: The simple answer is, yes. I think there needs to be stronger leadership on labelling. If you have got labels in the marketplace that already work, use them, invest in them, incentivise in them.

Q186 Mark Pritchard: I actually disagree with Dr Knight when he says that he thinks the current labelling of fish, for sustainable fish, and the other sort of family of labels that exist currently are working, to paraphrase him, quite well. Do you think they are working quite well?

Mr Samuel: Some are working well and obviously I would say—

Q187 Mark Pritchard: How does that fit with consumer confusion, which apparently is also prevalent?

Mr Samuel: Yes, there is confusion.

Q188 Mark Pritchard: It cannot be working that well?

Mr Samuel: There is a large number. I am not an expert in the different types of labels. What I can say is that there are too many. There are opportunities to actually streamline them in certain areas. Food is very difficult, but energy saving is easy because there is a single one at the moment, so why build any more? If you have something around the sustainability of stocks, for example, why have a separate label for fish compared with something else? Again, organic is a clear area where you can perhaps have some incentives for some consolidation. So a smaller number but more focused.

Mark Pritchard: Okay, understood. Thank you.

Q189 Chairman: I am just very conscious about this division which is coming up at any minute and there are two issues I want to just ask you about very quickly, if I may. One was about participation in the schemes and whether or not it is enough to remain on a voluntary basis. The other one was this issue in respect of the ESR label. Basically, it is all very well and good to have a label, but what is required by way of regulation and incentives to accompany labelling? In these last few minutes I would just be grateful if you could just summarise, and if we do run out of time it may be that you might wish to perhaps submit some further written evidence on those two issues, the voluntary aspect of it and what needs to be going hand-in-hand with labelling.

Mr Samuel: Okay, very quickly, and if I have time I will come back to some of my points. You could have a mandatory label potentially if it complies with World Trade obligations. That is a key issue. You would need to refine the scheme. It is a very robust scheme and perhaps if it was a mandatory scheme some of the requirements may be too stringent. Because it is a voluntary scheme there is an incentive for people to participate. If it is a mandatory scheme we may need to consider some of the impacts around that. I think the other thing is that we would need to resource-up substantially, therefore you might want to prioritise at least initially which products you would want to make mandatory. So yes, we are quite interested in that idea. Looking at what other incentives are needed, I think greater fiscal incentives. You need to incentivise the good and penalise the bad, so I would like to see a stronger linkage between Energy Saving Recommended products and, say, reduced VAT, for instance, and I think there is a little bit of a door open now at the Commission level potentially for that to actually happen.

Q190 Chairman: Would that be done through Europe, do you think, rather more than through the UK?

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Mr Samuel: I think it probably would have to be. Europe obviously has to approve it, but the UK should be pushing for it.

Q191 Chairman: Do you see signs of that from within the Treasury? Interestingly, we had a Treasury minister here this morning giving evidence to our main Committee in respect of the Comprehensive Spending Review, *et cetera*. Do you feel there are sufficient incentivisations within the Treasury to support what you are suggesting?

Mr Samuel: Again, the short answer is no, I do not think there is sufficient incentivisation.

Q192 Chairman: What more needs to be done?

Mr Samuel: I think certainly a lot more pushing needs to be done. I think you need to link larger products, for example micro-generation could be linked into council tax rebates, insulation could be linked into council tax rebates, and then also the use of the carbon emission reduction target, formerly the energy efficiency commitment. Why not link that solely to Energy Saving Recommended products in those categories they exist in? At the moment the only one you have got that in is lighting and obviously you could then make that quite socially progressive as well and aiming it at the priority

group. So moving forward in time, energy efficiency targets and fuel poverty, there is quite a bit of debate around that but clearly more needs to be done for the priority group in fuel poverty, so why not use instruments like that to actually incentivise more energy efficient appliances at the same time?

Q193 Chairman: Is there a mechanism that is actually there at the moment, a sort of framework within which those proposals you have got could be explored?

Mr Samuel: Yes, there is a framework within that and that is through CERT when it comes into place in 2011, but also you have got the 2008 and 2011 as a window of opportunity when some decisions can still be made and we would certainly like to see, for example, washing machines incentivised through that to be ESR and only ESR.

Chairman: I am so sorry about this, but what I would like to suggest is that if you think there are issues which are really burning issues which we should have covered in our short session this afternoon and we have not, we would be very, very pleased to hear from you, particularly in respect of what more Government needs to be doing to support and promote environmental labelling. Thank you very much.

Supplementary memorandum submitted by Energy Saving Trust

Home appliance labelling seems to be one of the success stories of environmental labelling. Can you explain why you think it has been so successful in influencing consumer behaviour and manufacturer standards? What lessons could we carry over into other sectors?

We agree that appliance labelling has been a relative success story with sales of A-rated and above cold appliances increasing from 1% to around 70% and wet appliances from 1% to 86% between 1996 and 2006. But in our view there is still considerable room for further improvement and expansion of the existing schemes.

Both Energy Saving Recommended (ESR) and the EU A–G label aim to allow consumers to make an informed product choice within and across categories. They are mutually compatible and combine to help increase consumer awareness, improve appliance standards by incentivising manufacturers to look to the future and go beyond A–G whilst helping retailers promote the most energy efficient appliances and for buyers (both retail and consumer) to demand them from retailers.

A–G is a mandatory requirement, but only for appliances in eight product groups, that drives the market up to a point whereas ESR is a clear at a glance label covering 29 individual product groups, which aim for the top 20% of market. ESR is a differentiator that identifies the best in class, least damaging products providing certified assurance that a product is energy efficient. Therefore, ESR is not just a consumer-facing label but an enabling mechanism to provide stretch and encourage retailers to stock the best appliances and for manufacturers to build to better standards. Currently ESR is provided free of charge with support material eg stickers, stats, facts etc and underpinned by additional activity eg development of retailers buyers guides, training of in-store staff, marketing activity (targeted through our consumer segmentation model). It is easier to revise than the A–G label providing stretch, particularly in white goods where there is A-grade bunching, whilst plugging the gap in other product areas eg ICT, insulation or heating that are not addressed by A–G labelling.

Key lessons that could be carried over to other sectors include:

- Keep labelling clear and simple. At a glance labels are generally more effective than those labels that adopt a more complicated approach—consumers don't want to be overloaded with information.
- Avoid anything that might confuse consumers eg different labels attempting to address the same issue.

-
- Scheme management should be undertaken by a trusted and independent organisation and not company self-labelling. Labelling should certainly not be driven by PR requirements.
 - Underpin the scheme through robust, but pragmatic accreditation.
 - Involvement of key stakeholders (as with the setting of ESR product standards through the ESR Endorsement Panel) is a key factor affecting the success of the scheme. Getting standards right is a key challenge for any certification scheme, and stakeholder consultation is a critical aspect of getting the standards right.
 - Support the label with marketing and retailer training e.g. in-store at point of sale and through buyer's guides.
 - Support through wider Government policies. For example, in the case of appliance labelling; fiscal incentives through the Energy Efficiency Commitment (EEC) now known as the Carbon Emission Reduction Commitment (CERT) and legislation to include condensing boilers in building regulations.

Your ESR label indicates the “best-in-class” in a sector, yet the A-G label already helps consumers to choose the most energy efficient products. What added value does the ESR label provide to the consumer?

ESR provides a further enhancement of high energy efficiency rating for both consumers and manufacturers particularly where the EU label is not sufficiently discriminating due to bunching at the high end. It also provides an opportunity to reference the Energy Saving Trust to help consumers continue their energy saving journey. Where there is yet to be an EU label established—that process is long and slow—the ESR label highlights the best in class where otherwise there would be no discrimination. Currently, ESR covers over three times as many product groups as the A–G label.

It also allows consumers to make an informed choice without having to study and compare labels where they exist (or attempt to locate and assimilate manufacturer's data where there are no A–G labels, which the majority of people are not sufficiently motivated to do). ESR provides assurance, from a trusted independent source; that a product is one of the most energy efficient in its product group—unlike the A–G label where there can be a multitude of A-rated appliances. ESR also cuts across the different product groups covered by the A–G label, to highlight the best products in each (ie A, B or C does not mean the same in different product categories) thereby creating a level playing field.

Isn't there a danger that the presence of two different labels might confuse the consumer?

There may be a potential danger from two labels but as yet, through the 7 years of ESR use and our ongoing waves of market research, no evidence for customer confusion has been found. This is because they are complimentary with minimal overlap as ESR only applies to best in class.

There is a greater risk of confusion from potential carbon labels that include in-use energy or from the development of manufacturer or retailer own labels. The latter are also likely to be far less trusted (as they are not independent) so will not be as effective.

The ESR certified label is very simple, with no additional data displayed. Why did you choose this approach, and are you satisfied that consumers understand what your label stands for?

ESR aims to provide consumers with a simple means of identifying the most energy efficient products. There is no need to include “additional” data because the ESR endorsement only applies at the highly efficient end. We deliberately chose to identify only the best products as these are the ones that people should be using and the ones that will be required to help meet the Government's climate change targets. In the four second buying window for consumers when in store, there is limited opportunity for “additional data”, which some consumers might not understand anyway. We know from consumer research that:

- 65% of people spontaneously recognise ESR as associated with energy efficiency.
- Almost 90% of those that do recognise the label understand that the product is one of the best in its class in relation to energy saving.
- 60% of people recall seeing the logo in-store.
- For comparison just over half say they have studied/looked at the EU label (as opposed to see/recognise it).
- Awareness of the ESR label has been growing.
- 60% of consumers say they look for the ESR label when buying appliances.
- Almost 80% of people regard the ESR label as trustworthy.
- This is underpinned by high levels of trust in the Energy Saving Trust, particularly when compared to retailers and manufacturers.

	<i>Trustworthy/impartial</i>	<i>partially trustworthy</i>	<i>not/hidden motives</i>
EST	76%	19%	5%
Retailers	22%	51%	27%
Manufacturers	20%	54%	26%

We therefore believe that there is a good understanding of what ESR stands for and that this is sufficient to influence consumer choice. In our opinion, this can be further increased with improved marketing and an increased commitment from retailers to stock and signpost consumers to ESR products. In this respect there is a greater role for training of sales staff. However, ESR is currently resource constrained by a small marketing and training budget and can only be expanded on a relatively slow incremental basis.

The Secretary of State for Environment, Food and Rural Affairs suggested to us that it might be useful if, in addition to the energy rating, labels on appliances showed the average cost of running the appliance per month. Would it help to relate energy ratings to expenditure in this way? Is it feasible?

We know consumers are broadly motivated to consider energy efficiency for two reasons:

- Money saving 60%
- Environmental benefits 40%

So anything which resonates with these motivations is likely to have traction with consumers. In principle, we are attracted by the SoS's proposal, however we think it will be difficult to implement practically because:

- The appliance market operates globally but prices would have to be UK-related and updated regularly.
- There would need to be an agreed standard price for a unit of energy which consumers recognise/accept as being close to their price. This is possible in theory but prices do vary across suppliers (eg incumbent/non-incumbent), tariff types (eg off/on peak), payment method (eg direct debit/pre-payment) and annually.
- Costs would also vary substantially depending on how an appliance is used and the behaviour of the consumer using it. There would need to be some agreed parameters of usage along the lines of the "urban cycle" for cars and "basket of goods" indexes for prices.
- Average use may well be unhelpful as we need to change behaviours. The inclusion of average running costs is likely to be most helpful for those products that run continuously eg fridges/freezers.
- It could confuse messages about products that have high energy consumption when in full and a standby usage, and we want people to abandon standby.
- There is a risk that more information might actually be off-putting for consumers and might actually reduce engagement.

It is interesting to note that some retailers are experimenting with the concept along these lines; however they are using point of sale material rather than labelling products.

In our opinion it would be far better to mandate smart metering and underpin this with tailored information and advice as consumers would be able to see the real-time affects of their product usage. We are surprised that Government appears loath to do so despite the united support of industry, energy suppliers and NGOs.

You suggest in your memorandum that there might be a case for developing a family of labels to cover key environmental issues—can you elaborate a little more on what you envisage? Which environmental factors would be covered?

Our suggestion envisages a family of labels, based along similar lines to the established ESR brand, that would focus on the key environmental issues facing consumers by providing clear, simple, consistent assurance to consumers from trusted and independent resources, that a product is one of the best in class in relation to a specific environmental issue eg food (although difficult due to the many complexities eg soil/protein/organic), energy, water, waste. Such a family of labels should not require any technical or energy knowledge to be understood by the consumer and could include the key characteristics identified earlier in our response. The family of labels could have a common feel and accompanied with signposting to the relevant organisation best placed to provide advice on the issue. This approach could benefit from consistent marketing and cross-promotion e.g. from websites linked to supporting literature, use of a standard consumer behavioural change segmentation model, such as the Energy Saving Trust's mosaic model, and complimentary market research. Although the most pro-environment individuals are more likely to be engaged with a range of environmental issues, the current view of most consumers with respect to the components of environmentalism is not yet joined up. Thus most consumers see recycling, water, energy etc as discrete issues and their behaviour reflects this in that a keen recycler can be a poor energy saver. We therefore do not see either ESR or the A–G label as all-encompassing environmental labels on their own.

We would envisage Energy Saving Trust being the relevant organisation for energy and carbon in the future. We note that Government's recent work on consumer attitudes and the recent announcement of Green Homes funding to Energy Saving Trust to provide energy efficiency, renewables and transport advice plus water and waste seems to be an early start in bringing these issues together.

As you add more issues to the certification, isn't there a danger that it will become more complex not only for you to measure performance, but for customers to choose a product? Where does the balance lie?

Yes, there is a danger of over-complicating labelling, which is why we favour a clear and simple at a glance approach like ESR that is easily recognisable and understood by consumers. It is important for certification to be robust but practical, which is why we have adopted independent third party testing unless there is justification for an alternative approach eg allowing white good manufacturer's self-declaration for ESR based on the original copy of the A–G energy label. We believe this is an appropriate balance. This is also why we favour separate energy in use labelling at this current time rather than embodied carbon labelling including energy in use, which will confuse consumers who don't yet understand carbon and will complicate the calculation process. The key is for the claim that is being made by use of a label to be clearly understood by all (consumers, scheme applicants, other stakeholders). Consumers don't actually need to know the detail of what happens to understand the label. However, for a certification scheme to work effectively the scheme rules must also be robust, sensible and applied fairly and even-handedly. This comes down to getting the scheme standards, and the process for assessing conformity with these, right.

How would the labels need to be presented and operated to make it obvious that they were a family of labels, rather than a collection of different initiatives?

Please see above.

You say that you want to extend the ESR label into different sectors, such as digital radios and housing. Why have you held back from these sectors until now? Is there a demand from consumers for the label to extend its range?

Yes, we are extending the scheme as ESR has wide applicability and is easily transferable. We have prioritised the extension of the scheme based on:

- Products with high energy consumption.
- Products which consumers recognise for their energy consumption.
- Available funding to extend ESR. Inevitably this has acted as a constraint to expanding ESR.

We know that consumers see the next steps for extension in the home from household white goods, where energy efficiency has become more ingrained due to the product being left switched on, to:

- Other kitchen appliances eg cookers, toasters.
- Living room products eg TV and HiFi's. Consumers see those products as closest to household white goods but this is complicated by longevity, male/female attitude differences and branding.
- Lifestyle type products eg PCs and MP3s. Although consumers see energy efficiency as less relevant, labelling of these products is further complicated by their short life.

We are developing our medium-term strategy to inform what further product groups we go into in the future and this could potentially include the extension of ESR to cars, microgeneration and homes. In the case of homes, we also need to consider industry and consumer receptiveness in relation to the linkage between HIPs and EPCs and that the initial priority should be to get people to take action on EPC recommendations.

Fast-moving consumer electronics market would need to be managed particularly carefully and could even entail a different approach eg a mass market sign-posting label identifying products with energy saving features. Likewise small electrical appliances e.g. toasters. We are developing our thinking in this area.

The ESR label shows a maximum of the top 20% in the sector—how would this translate into a fast-moving sector such as consumer electronics, or the housing sector, where comparing the full market is practically impossible? Would you need to adapt the label?

We do not see the need to change the top 20% characteristic of the ESR criterion. In the homes market, our thoughts would be to divide it up into new build and existing categories, aligning ESR to the standard Code for Sustainable Homes bandings and the EPCs. Likewise in consumer electronics we would look at product categories within this overall sector, eg MP3 or set top boxes etc rather than using the scheme to apply across a disparate collection of energy consuming products. A key advantage of the ESR scheme over the EU approach is the ability to respond more quickly to market changes—hence its applicability within a fast moving sector. Moreover, there is flexibility around the 20% where there is a need on account of the product structure within the category. For example, in complex set top boxes, there is one dominant supplier

and it is highly likely that we shall be accrediting over half of the category. In the future there may also be less scope to improve product standards in some categories so one could envisage ESR applying to more than 20% off the market, although this is some way off for most product categories.

Participation in the ESR scheme is voluntary—is there a case for obliging all manufacturers to submit their goods for assessment, or would this have little effect?

Participation is currently voluntary and much is achieved because decisions to raise the performance bar of ESR periodically are taken by the industry. While certainly a compulsory scheme would have much to offer, the Energy Saving Trust feels that a voluntary scheme, but with clear and stronger government support that encourages greater participation, would be the preferred result.

It is not clear whether WTO requirements would allow a mandatory scheme. The resource requirement to operate this could be substantial so would need to be prioritised initially on the most energy intensive product types or for those with the greatest bunching at A (in the case of those also covered by the EU label). There would also be little point in testing appliances that are unlikely to achieve ESR status unless there was a penalty of some form for not doing so.

What proportion of manufacturers decide to submit their products for certification?

Unfortunately, we are unable to answer this question, as it would require knowledge of the entire number of manufacturers in each product group. Currently there are 148 manufacturers and suppliers and 70 retailers.

Have any manufacturers produced their own labels, when they failed to qualify for the ESR label? Would you like to see a situation where the only environmental labels permitted on appliances in the UK were the ESR and the A–G label?

There have been no cases where manufacturers have produced their own labels as a result of failing to qualify for ESR. However, we have had several incidents where companies make false claims about ESR certification (ie they use the mark without EST permission), which does demonstrate the perceived value of the ESR mark within industry. Indeed currently we have not seen any alternative labelling scheme—retailer or manufacturer—covering the energy efficiency domain. In order to avoid potential consumer confusion, we would like to see a situation where the only two labels in the energy efficiency related sector are ESR and the A–G label. However, as previously stated, we do not see ESR and the A–G label as all encompassing environmental labels.

The table in your memorandum shows that most types of products are certified on the grounds of the manufacturer's self-declaration rather than independent testing. How does this work and can we be confident that manufacturers are providing an accurate assessment?

The majority of products are actually independently tested by third parties eg all insulation, lighting, glazing and heating products (other than gas central heating controls) and this is our preferred approach for existing and new product groups unless there is sufficient justification for an alternative approach, for example where an existing testing mechanism is in place. The case for using manufacturers' self-declaration is always considered very carefully, and we consult key stakeholders on proposals to accept self-declaration on a case-by-case basis (eg via the ESR endorsement panel). Self-declaration is only used where, for example, independent third party testing would present a genuine barrier to applicants joining the scheme. For example, it was considered that this was the case with ICT products, where manufacturers' self-declaration was accepted by the Energy Saving Trust as part of the ESR scheme following consultation with industry and the ESR Endorsement Panel. Similarly, we have also adopted manufacturer's self-declaration using the original copy of the A–G label in the case of white goods.

However, there is a higher potential risk with self-declaration, compared with independent third party testing, that products may not conform to the specified product standards. We also compliance test around 5% of certified products every year and consequently also focus this more on those self-certified products—on a European scale the Energy Saving Trust is one of the most prolific independent product testers. We will also be adopting the ISO best practice standard for self-declaration proformas by the end of 2007. We are therefore confident that the process is a good balance between robustness and pragmatism.

Would it be more effective to move to independent verification? Would this be feasible?

Where other approaches already exist eg A–G labels and worldwide standards based on self-declaration for ICT goods, we do not believe that it would be more effective for ESR to move to independent verification. We have to be mindful of existing standards in the international marketplace.

Is there a case for the industry self-regulating, where manufacturers report problems with each other's labels?

One of the key advantages of ESR is that it is managed by an independent and trusted organisation that provides consumers with sufficient confidence to believe the energy saving recommendation. An industry-led approach would not be as effective. In a competitive marketplace it is not clear whether manufacturers would release the underpinning data to a competitor that would allow the identification of problems so a third party would need to be involved for dispute resolution and compliance testing. We have had tip-offs from manufacturers about competitors' products in relation to potentially misleading or false claims, which we actively follow up.

You mention the possibility of a carbon-saving recommended label—is this sufficiently distinct from an energy efficiency label to make it worthwhile having the two?

There is a change expected in consumer awareness of carbon in the next 3–5 years. Our market research shows that less than 30% of consumers understand carbon or its relation to climate change/carbon/energy linkage. At this point in time, the Energy Saving Trust does not believe that carbon labelling is appropriate and therefore we are not planning to introduce such a label in the very near future. However, once the population is carbon literate then there will be an opportunity to do so. At this point the transition from energy to carbon labelling will be actively pursued. Ultimately, we would like to see just a “carbon saving recommended” label.

You say that embodied carbon should not be included on a carbon label—but what if the most efficient fridge is among the most damaging to produce? Isn't there a contradiction if consumers are being asked to take account of embodied carbon for some sectors, and ignore it for others?

As mentioned previously, there is evidence to demonstrate that people don't yet understand the language of carbon, “footprint”, “offset”, “embodied”, the relationship between energy and carbon or the role products play in the carbon footprint. However, if asked, people will say they want to know the carbon footprint of products as that is perceived as the right answer—although completely mis-leading this can be seen as a positive sign!

We have not yet seen any evidence from consumers of the benefits of embodied carbon labelling although there are clear supply chain benefits. We believe it is the manufacturer's responsibility to improve its processes to reduce the environmental damage of its products and at the current time this is where the focus should be.

We agree, that there would be a contradiction if consumers were asked to take account of embodied carbon for some sectors, and ignore it for others but currently consumers are being asked to consider the carbon content of isolated products, which they can't compare even if they wanted to.

However, a mix of messages concerning full carbon footprint, embedded carbon and carbon in use runs a major risk of confusing consumers. The Energy Saving Trust believes it is far better and more effective to provide information to consumers about the areas under their control rather than under the direct influence of the retailer/manufacturer. Thus we would contend that embedded carbon and/or embedded energy is the clear responsibility of the supply chain. It is through the activities of manufacturers reducing their carbon footprint on their own account and the choice editing of the buyers at the retailers, which jointly determine the embedded carbon of the products on sale. Beyond this point the consumer determines the usage of the product and it is therefore most appropriate that the consumer knows the carbon in use/energy in use impacts of their behaviour from information on the label. In the longer term, consumer pull should become more important.

Incentives, and where necessary legislation, should be implemented to curtail unacceptable practices rather than rely on consumers to understand the consequences of complex manufacturing processes and then to demand change.

The ESR label was established at the request of the Government—is a government-backed label the most robust way of bringing about change?

The most effective means of removing the most inefficient products from the market place would be to ban them completely. A Government backed label, operated by a trusted and independent body such as the Energy Saving Trust, is just one of a range of policy tools that will be required to help drive the required changes.

You say that labels should be accompanied by regulation and incentives—can you give us some examples? Would labelling be entirely ineffective without these supporting measures?

Simply putting a label on a product on its own is unlikely to deliver much if anything as it would need to be recognised, understood and trusted by consumers. Labelling, plus awareness raising and marketing, would not be entirely ineffective as it would still signpost consumers to the most efficient appliances. However, it would certainly be more effective if there were other incentives for consumers to purchase them and if the option of the worst products was removed completely. For example:

- The use of progressive taxation policies to incentivise ESR products and penalise the worst products. The EU VAT discussions, initiated at the insistence of the UK Government, open the door for this.
- Stronger linkage of ESR products into CERT.
- Increased investment.
 - For the promotion and marketing of ESR—we know that retailers want greater promotion of ESR.
 - To allow a quicker expansion of ESR to other product categories.
 - For in-store training and promotion of EST advice/helpline.
- Regulate the worst appliances out of the market including the second hand market.

Are you content that Government is doing enough to support and promote environmental labelling?

No, we believe Government can do more as identified above.

January 2008

This is an embargoed advance copy. Not to be published in any form until 00:01 on 23/03/2009

Wednesday 9 January 2008

Members present:

Colin Challen, in the Chair

Mr Nick Hurd
Jo Swinson

Joan Walley

Memorandum submitted by Ofgem

INTRODUCTION

1. Ofgem is the regulator of the gas and electricity markets in Great Britain. Our principal objective is to protect the interests of present and future gas and electricity consumers through the promotion of competition, wherever appropriate, and the regulation of monopoly companies responsible for the operation of the gas and electricity networks. We also have secondary duties which include, amongst other things, the promotion of security of energy supply, the protection of certain classes of vulnerable customers and the promotion of sustainability.

2. Ofgem welcomes the Committee's inquiry into environmental labelling. Our focus in this submission is on the work that we are currently undertaking, in consultation with interested stakeholders, regarding the development of a clear set of guidelines and to facilitate the development of an "at a glance" independent certification system for energy tariffs which have additional environmental benefits. We have addressed the Committee's questions on what should be shown under a labelling system; the case for rationalising environmental labels; the impact of environmental labelling on consumer behaviour; the regulation of environmental labelling and international labelling.

BACKGROUND

3. In response to increased customer awareness of the global challenge of climate change, a number of electricity suppliers are offering "green tariffs" to customers. These tariffs range from products that are designed to ensure that 100% of electricity used is from renewable sources to others where suppliers take action to offset carbon emissions arising from the energy sources used. The National Consumers' Council (NCC) has recently estimated that nearly 200,000 domestic customers (plus a large number of industrial and commercial customers) have chosen a green tariff. These tariffs therefore represent a useful tool to increase customer awareness of the challenges of climate change, enabling customers to provide increased investment signals towards the development of renewable generation and also to support meeting the government's carbon emission reduction targets.

4. In 2002 Ofgem issued a set of Guidelines on Green Supply Offerings in the domestic electricity market to facilitate the provision of information to customers regarding green supply tariffs. The guidelines suggested that there were three key principles to which such tariffs should conform; information about them should be transparent; they should afford additional environmental benefits ("additionality"); and suppliers should be able to verify the claims of these benefits.

5. A recent study by the NCC²⁶ concluded that there is considerable customer confusion, and, as a result, a level of consumer mistrust of green tariffs. This view was also corroborated by the conclusions from our recent Consumer First project which highlighted that although there was limited customer awareness of green supply products, there was clear interest in these tariffs once customers understood that they may be able to support the environment by signing up to them. Customers need clear and transparent information to make informed choices when choosing an energy supplier, and being able to signal their environmental preferences is an important part of this when it comes to green tariffs. This clarification is also important to ensure that opportunities offered to them by the liberalised energy markets are not masked by the threat of misleading practices.

6. Our Consumer First project aims to help Ofgem better understand the developing interests and priorities of consumers. Research carried out for Consumer First illustrated the importance that consumers attach to greater transparency in general with regards to their energy consumption.²⁷ The research indicated that consumers want clearer information, for example on energy bills, regarding the contributions they are making to the Renewables Obligation (RO) and the Energy Efficiency Commitment (EEC). This is particularly important to customers given that the RO currently adds £7 to an annual electricity bill and this

²⁶ Reality or rhetoric? Green tariffs for domestic customers by Virginia Graham. National Consumers' Council. December 2006. Available from <http://www.ncc.org.uk/responsibleconsumption/green-tariffs.pdf>

²⁷ The research was carried out by Stimulating World on behalf of Consumer First. The full publication can be found at: <http://www.ofgem.gov.uk/Sustainability/Environmnt/Policy/Documents1/Stimulating%20World.pdf>

is set to increase to around £20 a year by 2015. The EEC scheme costs £9 per customer, per fuel, per year. Further Consumer First research will soon begin into consumer views on proposals relating to renewable and low-carbon supply tariffs.

7. In view of Ofgem's duties to protect the interests of consumers and to contribute to the achievement of sustainable development, we want to ensure that customers wishing to support the environment as part of their energy supply choices, can be confident of what they are getting by way of environmental benefits associated with their energy tariffs. As such, in June 2007 we issued a consultation document which included a number of proposals to revise the guidelines to reduce customer confusion regarding these tariffs. We also proposed the development and implementation of a linked certification scheme which would provide further information and certainty to customers regarding these tariffs and the environmental benefits that they promote. Following the publication of this document we held a number of workshops with interested stakeholders to discuss the proposed approach and these have been exceptionally useful in further developing the proposals with the input of interested parties.

PRODUCTS REQUIRING LABELLING

8. The main proposed revisions contained within the document are outlined in the table below along with details of the way these have evolved following consultation.

9. The table shows there have been a number of revisions to the initial guidelines. One of the key changes is the proposal to develop separate guidelines for renewable and low-carbon tariffs. There was concern that the inclusion, within the guidelines, of tariffs sourced from non renewable low-carbon sources of generation—primarily nuclear generation—would increase customer confusion of what constituted green supply. Opinions are divided on whether nuclear is really a green option given the waste issues, but it is clearly a low-carbon energy source. A proposal was developed to divide the existing green supply guidelines into two separate sets of guidelines—one to qualify which tariffs were sourced from renewables and the other which would rate the carbon intensity of the supply tariffs. We support this approach as we anticipate that it will reduce customer confusion and provide clarity on what the guidelines cover. We want customers to be able to make clear and informed choices regarding their green energy tariffs and to easily distinguish between low-carbon and green energy supplies.

<i>Proposed approach June 2007</i>	<i>Rationale</i>	<i>Proposal agreed?</i>	<i>Proposed approach October 2007</i>
Ofgem should provide guidance on green tariffs	To encourage innovation and competition	<input type="checkbox"/>	Ofgem updating guidelines
Guidelines should be voluntary	Consistent with better regulation—not onerous	<input type="checkbox"/>	Intention for them to become self-regulatory
Guidelines should be extended to business supply	Businesses have a key role to combat climate change	<input type="checkbox"/>	Separate guidelines needed for business supply
Guidelines should be extended to tariffs sourced from low-carbon generation	Low-carbon tariffs can have a role in contributing to targets relating to carbon reduction	<input type="checkbox"/>	Move toward separate guidelines on renewable/low-carbon tariffs. This recognises the environmental contribution that these supply sources make and also contribute to Government targets
Suppliers should provide additional information to facilitate transparency	Transparency is a key element of the guidelines	<input type="checkbox"/>	Standardised information to be provided on environmental benefits of tariffs
Evidence of supply should be linked to Fuel Mix Disclosure (FMD) licence obligation	To provide a standard requirement for verifying the source of supply	<input type="checkbox"/>	Evidence linked to FMD with clear information on sources of renewable generation
Green tariffs should demonstrate additionality	To ensure that tariffs being marketed as green are contributing additional environmental benefits	X	Provision of transparent information will allow informed customer decisions on environmental benefits. This will lead to a greater customer steer for investment decisions towards low-carbon or renewable technologies in the medium term

<i>Proposed approach June 2007</i>	<i>Rationale</i>	<i>Proposal agreed?</i>	<i>Proposed approach October 2007</i>
Should be clear guidance on use of funds	To ensure that these are being used appropriately	<input type="checkbox"/>	Guidance to be provided on use of funds
A certification scheme linked to the guidelines should be developed and implemented	To make it clear “at a glance” the benefits that the tariff has for the environment	<input type="checkbox"/>	This will be developed by suppliers and interested stakeholders

10. Two further areas where key changes have been made in relation specifically to the labelling system itself as opposed to the scope of the scheme are outlined below:

- *Provision of standardised information to facilitate transparency:* There was clear stakeholder agreement that transparency is a key objective of the guidelines. As such, there was general consensus that the provision of greater information would enable customers to reach better informed decisions based on their perception of the environmental benefits that it is most important to facilitate. We anticipate that the provision of clear and standard forms of information will allow customers to more easily compare competing tariffs at the point of sale and therefore reduce customer confusion with respect to their relative benefits. However, we recognise that a balance needs to be struck between the provision of information and ensuring the guidelines are not unduly onerous and we are working together with stakeholders to develop a solution that works for both suppliers and customers.
- *Definition and measurement of additionality:* While stakeholders were keen to define and develop an associated measure of additionality for renewable and low-carbon tariffs, the consultation highlighted that there was a diversity of views as to whether this could be achieved in an objective and measurable way. While there was recognition of the possible definitions of additionality, it was evident that there were difficulties in developing an appropriate definition that would be both clear to customers and which would clearly demonstrate whether a tariff will offer more green or low-carbon energy than would already be provided by suppliers under the Renewables Obligation. We consider that providing greater information to customers regarding the relative environmental benefits of competing tariffs will empower them to determine the tariffs that they wish to procure. In turn, this will clearly illustrate customer demand to suppliers for either renewable and/or low-carbon forms of generation, therefore providing clear steers for future investment decisions.

RATIONALISING ENVIRONMENTAL LABELS

11. It is a priority that further customer confusion on renewable and low-carbon tariffs is avoided. A proliferation of guidelines and rating systems would not resolve current low levels of confidence and trust amongst consumers. Therefore we are asking industry to develop a scheme (or schemes), consistent with the tariff guidelines that will best facilitate customer choice and confidence of the various renewable and low-carbon tariffs available, whilst ensuring the cost and administrative burden on suppliers is kept to a minimum.

IMPACT OF ENVIRONMENTAL LABELLING ON CONSUMER BEHAVIOUR

12. Although Ofgem’s priority is to protect customer’s interests, we believe the guidelines and rating system could encourage greater innovation and development in the types of renewable and low-carbon tariffs available. This will lead to greater customer choice and competition in this market as suppliers seek to differentiate their products from each other. This type of system would also increase consumer confidence in the claims made by suppliers regarding environmental tariffs as suppliers would have to verify the claims they make in respect of the tariff.

REGULATION OF ENVIRONMENTAL LABELLING

13. Ofgem is committed to Better Regulation principles and as such we consider that ideally the industry should develop its own self-regulatory guidelines. We are therefore proposing to publish revised guidelines that suppliers have to ‘sign up’ to, which would have the potential to become self-regulating as the green energy market matures going forward. This would enable the guidelines to evolve more flexibly in response to new types of tariff being made available.

14. We believe that a voluntary third party accreditation scheme should be developed and implemented for renewable and low-carbon tariffs. Ofgem does not consider that it should perform this role but will facilitate discussions and debate in this area together with suppliers, customers and interested stakeholders. During consultation, there was clear stakeholder support for the development of a certification scheme linked to the guidelines and based upon the principles contained in the guidelines. However, a strong preference has been expressed for delaying further development of the certification scheme until the

guidelines are finalised to ensure consistency between the principles that are utilised. We would look to see that any scheme developed was entirely consistent with the principles and requirements specified within the guidelines.

INTERNATIONAL LABELLING

15. The Eugene Standard is an international benchmark for green energy tariffs. It supports energy technologies that have undisputed environmental benefits. The Eugene Standard can be used as a symbol of “good” energy, which has less of an impact on the environment than conventional energy. The Eugene Network mission is to promote green energy labelling as a market tool to facilitate and stimulate additional generation of renewable and efficient energy services, and to foster a clean energy system. We are supportive of the developments being made in implementing international benchmarks for green energy tariffs such as the Eugene Standard but note that if such a scheme were adopted in GB, its use would be separate and alongside the development of renewable or low-carbon tariff guidelines.

16. Finally, we would like to thank the Committee for the opportunity to provide this input into its discussions. We would be very happy to provide any further information that the Committee would find helpful.

October 2007

Witness: Mr Steve Smith, Managing Director—Markets, Ofgem, gave evidence.

Q194 Chairman: Good afternoon, Mr Smith. It is good to see you again. This is the Environmental Labelling inquiry. Could I start by asking you about the overhaul of green tariffs that you are undertaking at Ofgem with a view to introducing more labelling? Why do you think labelling is necessary in this area?

Mr Smith: I think there are a variety of reasons. There had been some work done by the National Consumers Council in a report looking at customer attitudes to green tariffs, and that was suggesting there was a lot of confusion amongst customers and there was not really a lot of faith that suppliers were giving them accurate information. There was a strong sense in there that, perhaps, there would be much wider take-up of these tariffs if there was that confidence. Energywatch, which is obviously the organisation that primarily looks after domestic customers, had also done research suggesting similar things, and then we launched a project called “Consumer First” where we went and held some meetings around the country where we met with customers and asked them about these sorts of issues, and were getting similar feedback from them. All things were pointing to a lot of customer confusion, some desire for more transparency and being able to be more confident in these products. Interestingly, when we first raised this idea even the suppliers themselves, including some of the green suppliers, said that they would welcome some move from someone credible, like Ofgem, to bring some transparency and some coherence to this area.

Q195 Chairman: It is going to be very challenging to do that, is it not, because electricity is not like a fridge or a car, or some other discrete box or entity; it is something that moves invisibly around the wires. What challenges does that pose to you?

Mr Smith: I think it is difficult for that reason because, as you say, in essence, once you put your electricity on the Grid then it all gets mixed up. As there are already some government schemes that encourage promotion of renewables, the other big

challenge is to make sure that suppliers are being clear about what they are offering and the extent to which they are offering something over and above what existing legislation already compels them to do. Or, alternatively, that they are not trying to simply take all of the renewable energy they have to produce and package that up and put it into particular tariffs and suggest that they are doing something for the environment over and above what they are required under existing legislation to do. So, yes, I think it is a big challenge.

Q196 Chairman: Is the take-up of green tariffs tailing off, after the first burst of enthusiasm, if there was a burst of enthusiasm? Has it now just settled down to round about 200,000 customers at the moment?

Mr Smith: I do not think I have seen any evidence it is tailing off. On the other hand, I have not seen any evidence that it is taking off either; I think it has just been a slow and steady growth. As I said, I think the NCC’s work and the work that we did when we actually talked to customers suggested that there was more appetite out there; there was just a sort of lack of trust about what they were being offered and were they just being asked to pay a premium for something that was not actually going to deliver much in terms of environmental benefits.

Q197 Chairman: The people who probably know about these things are probably the leaders who do take up these tariffs. They are already committed. Will they be put off by the possibility of thinking that this is not additional, because we already have the Renewables Obligation system which requires generators to produce green electricity? Will they have concerns that their extra money to a green tariff may just be duplication rather than additional.

Mr Smith: That is really the problem we try to solve. Interestingly, when we went and did these deliberative fora with domestic customers around the country, the vast majority of them did not know that some of their existing bill—the money that they were paying there—was going to encourage

renewables. You have a vast swathe of people who actually do not know that they are already making some contribution just if they are on a normal tariff. I think for the more informed people there is an understanding that some of that is going on and it is exactly the concern you are highlighting; they want to know, if they are buying a tariff, exactly what they are getting for it and where that money, if they are paying a premium over standard supply rates, is going.

Q198 Chairman: Does a lack of additionality undermine the entire concept of a green tariff? This level of duplication, I think, is perhaps arising out of confusion in a number of areas about emissions trading and things of that sort, which could be yet another level of additionality, if you look at the EUETS.

Mr Smith: We have spent a long time talking with the customer groups and with suppliers, and this has been the big, difficult issue because the way the Renewables Obligation is set up. It is a financial scheme, not a physical scheme, so if you cannot meet your target you can buy your way out of it. Against a scheme like that it is very difficult to describe what additionality means. If, for example, someone says: "Well, one of the options was that we have these Renewables Obligation Certificates that if I have a green tariff then I will retire some of these certificates from the market, and that is the way I'll demonstrate that I am doing something additional", that does not actually guarantee that another wind farm or something will actually be built. So we have tried to take a different approach; rather than focusing on additionality we have tried to come up with guidelines that would mean if you are buying a green tariff it will be absolutely clear to you what proportion of the electricity that is being supplied from you is coming from renewable sources, and on the bill it would make clear that all suppliers were obliged to deliver, say, 7 per cent of their electricity from renewable sources, and this tariff will say, "50% of our energy is green", or "70% of our energy is green"—so to try and give customers that clarity without confusing them about what the existing government schemes are; just allow them to make a simple comparison.

Q199 Chairman: That is saying: "We'll leave it to the customer to decide" (and, of course, we are familiar with that kind of process), but in this very complex area would it not be simply better for Ofgem to go back to the Government and say: "Look, this is so complex, there are real difficulties, we are simply going to have to do more in posing charges, as it were, across the whole piece, as we are doing, to a certain extent, at the moment, to achieve these objectives"? If we look at the current customer base for green tariffs, and you are saying it has sort of plateau-ed, I cannot see how any of this is going to make much difference.

Mr Smith: As I said, the research the NCC did and, also, the discussions that we had with customers suggested that there were quite substantial numbers of potential customers who would buy these sorts of

products if they had more faith in them. I think we are really stepping into that territory to say: "Let us try and see and let us try and give them that confidence and then let us see if the actual take-up of these tariffs does then take off." Also, there are different segments of the market with different issues. We have talked so far about green and renewables; for a lot of people they are interested in low carbon, so our proposals are about distinguishing between green and low carbon. That might be another area of the market where you will see more take-up. In the green arena, clearly, particularly with rising fuel bills and everything else, different groups of customers have different abilities to pay, so there are some people who are saying: "We're willing to pay substantial premiums to have energy that is 100% renewable" and there are other customers who are saying: "We're willing to pay a bit more but we cannot afford to pay the kind of premiums". So we are trying to encourage innovation and different sorts of tariffs to attack those different segments of customers and what they want.

Q200 Chairman: Finally, can I ask you if you know of any technical impediment as to why the carbon content of the electricity and gas used could not be printed on the face of our quarterly bills.

Mr Smith: In terms of in time there is no reason, in the short term, it is just a question of what the actual supplier's billing system is capable of doing. Most of them, at the moment, are spending quite significant sums of money rebuilding their billing systems and have got big IT projects. For example, if you talk to British Gas, they are saying once they are on their new billing system they would have the ability to print all of that sort of information. Their existing billing system, which is several years old now, is just not capable, as an IT system, of doing that. If you are asking: "Can you work out what the numbers are absolutely", not all suppliers are yet in a position to be able to physically put that on their bill, but many of them are using the internet and paperless billing and ways like that to start giving customers that information, but actually producing a physical piece of paper, some of them still are not able to do that.

Q201 Mr Hurd: Can I take you back to the fundamental question as to why so few people do something which, on the face of it, is a very simple step that people can take to play their part in reducing emissions, which is to switch to a green tariff? It can be done just on a few clicks on a computer, so it is very easy, but only 200,000 people, I think, have done that. Why do you think that the penetration rate is so low?

Mr Smith: The only evidence we have got from everything we have looked at is that people are telling us it is a trust issue. There have been one or two cases of suppliers who have been censored by the Advertising Standards Authority for, perhaps, over-promoting these. I cannot guarantee this is the answer, but to the extent I have any evidence and feedback from customers, people are saying: "Well, what is holding us back is just this lack of trust that

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we have seen. We see some of these marketing things and we are not actually clear, if we're being asked to pay, say, 10% more than a standard supply, what we are getting and what the company is actually going to spend." It is a bit of cynicism and scepticism.

Q202 Mr Hurd: Is that not rooted in some truth that the green tariffs are something of a con because this is electricity that they are required to generate from these sources; it just happens to be that some customers are prepared to pay more for it than others?

Mr Smith: You have got different tariffs out there that do different things. For example, for a company called Good Energy, 100% of its electricity is renewables, and so when it is marketing it is saying: "We can guarantee every electron". You have got other suppliers who, perhaps, are doing things where they are taking some of those existing obligations and repackaging them, and therefore customers are right to be sceptical; you have other schemes which are much harder for customers to understand where people are saying: "We'll take the money and we will put it into some sort of investment fund and we will invest it in other environmental improvements". So it would be unfair to say: "They're all a con", but I certainly think there are some tariffs out there that customers would be right to be sceptical about whether they are actually getting anything more than companies are required to do.

Q203 Mr Hurd: In terms of your activities, you are preparing separate guidelines for renewable and low carbon tariffs. You say this will reduce confusion, but will customers really understand that low carbon does not necessarily mean renewable, and how will you make clear?

Mr Smith: That is a good question, and the reason we have got there is that the big divisive issue in this is, obviously, nuclear; there is clear evidence that some customers, as I said, are focused on low carbon and accepting that nuclear could play a part in that; other people are vehemently opposed to that. So the low carbon/green distinction was an attempt to neutralise the nuclear issue. I think you are absolutely right, the challenge for us in developing these guidelines will be to make sure that we have clear accessible information for customers so that they can understand what that distinction is.

Q204 Mr Hurd: What proportion of the tariff would need to be renewable or low carbon for it to be classified as such?

Mr Smith: What we are proposing, for low carbon, is something equivalent to the energy ratings you do see on white goods—so the idea, because customers are used to that, of the A-G rating. Therefore, if it was zero carbon it would be A-rated, and if it was fully fossil-fuelled it would be G-rated. For renewables we are simply proposing that we will simply state the percentage, so it will be: "X-per cent"—anywhere between 0 and 100—"of your supply is coming from renewable sources".

Q205 Mr Hurd: Will the label also show where the premium paid for the tariff is invested?

Mr Smith: Yes, although the other thing I should make clear is that we are currently out to consultation on all of this, and I think the consultation actually closes tomorrow. So what I am talking about is what we have gone out to consultation on. Obviously, particularly when you get into detailed issues like that, we will have to look at what people say and there is this trade-off, as you said, between transparency and simplicity and keeping it clear so that customers do not get confused.

Q206 Mr Hurd: Thanks for that. Can I bring you on to comparative data? As I understand it, you say that in order to offer a renewable or low carbon tariff, all other tariffs offered by the supplier should be submitted for a rating. Why do you think this is necessary?

Mr Smith: There was a concern that if you did not do that what suppliers could do, in essence, was bring together all of their renewables, including the renewables that they are required to provide under legislation and put that into a tariff that looked very attractive against our criteria.

(Committee suspended from 2.45 pm to 3.04 pm for a division in the House)

Q207 Joan Walley: If we may resume, Mr Smith, just to carry on where Mr Hurd left off, it would be helpful to know if there would be any obligation for suppliers to show how their tariffs compare with their competitors, or will it be up to customers to seek out this comparison?

Mr Smith: The idea is that it would be up to customers, so we would have clear standardised ways that suppliers would have to deliver this information. Then, in much the same way, at the moment, as we have the existing internet sites that allow customers to compare tariffs, it would make it easier for them, if you want to go on a green tariff, as you can at the moment, to say: "Put it on green" and they will show you the prices and what the percentage was from renewable energy and what their carbon rating was. So there would not be an obligation on suppliers but we would expect the sort of price comparison websites, and the people who do that at the moment, to use this to provide those sorts of comparisons for customers.

Q208 Joan Walley: Just now you made reference to that information being on internet sites. I am not sure how much our Sub-Committee has looked at internet labelling or the provision of information through the internet, but is it envisaged that the bulk of the information that will be available will be done through the internet, or will it be done in other ways as well?

Mr Smith: It will have to be done in other ways as well, because what we are stipulating is that before a supplier signs up a customer to one of these tariffs it needs to have provided them with the information. So, clearly, suppliers will need to have a means for customers who do not have access to the internet, or

do not want to access the internet—so promotional material that they can send through the post or make available to them in other ways. So definitely not all internet-enabled because there are, obviously, large numbers of customers out there—

Q209 Joan Walley: That is what I was thinking. If you were reliant upon internet labelling there would be a large part of my constituency, for example, which would not have access to the internet.

Mr Smith: Absolutely. It will be a requirement of the guidelines that before you sign a customer up you have to give them this information. So it will be for the suppliers to work out how they are going to do that. Obviously, for customers who are on the internet that will be the simplest way to do it, but they will have to have means to provide that information for customers, which presumably will be postal-based and paper-based.

Q210 Joan Walley: If I could move on to the memorandum that you have issued and the consultation, the memorandum talks about an “at-a-glance” approach, but in the consultation it seems that you are being a little bit more detailed in looking at this distinction, which you referred to earlier on, between low carbon and renewable accreditation. One of the things I would like to ask you on that, first of all, is that there is a lot of debate at the moment about nuclear. Could you give some idea of how you would actually define “nuclear” and how that fits into the sort of labelling? Presumably, people might want to know whether or not they are signed up to nuclear energy or not.

Mr Smith: I think the simplest answer is, obviously, on the renewable side, nuclear would not be in there. On the low carbon side, you are right that the challenge here is in thinking about the layering of information, so the first layer you want to be relatively simple and something, as I said, like the A-G rating and a simple percentage you can just look at. Sitting behind that you would have the next layer of information, and that might, for example, include, if it is low carbon, what proportion of that is nuclear, making clear to the customer that although it is B-rated on carbon a significant proportion of that is coming from nuclear power versus other low carbon forms of energy. This is where we are asking the suppliers to think about—and we are holding workshops with them—how you can layer that information because, obviously, the danger is that you just overwhelm the customer with too much information at the outset; you need to give them it so that they can access it bit by bit, as they want to.

Q211 Joan Walley: How would Ofgem reach a decision as to whether nuclear is low carbon or not?

Mr Smith: In some senses we have crossed that bridge, although we are already out to consultation—i.e. we have said that we think nuclear is low carbon and, therefore, the question is just working out where it would fit, as I said, in that A-G rating.

Q212 Joan Walley: Do you take into account the life cycle production and disposal including the uranium extraction and everything else?

Mr Smith: That is exactly where the debate about how low carbon is nuclear comes in and where it fits, as I said, in that scale between A-G. The simple answer is yes, we will have to think about that in deciding where people sit, as I said. If you had a supplier that was 100 per cent nuclear, is it A, zero carbon, is it G? That is the sort of analysis we will have to do to think about where it sits in there. It would be the same if we had carbon capture and storage in the future, and thinking about the life-cycle effects of carbon capture and storage; even though the carbon is going into the ground; there has been carbon consumed in building all of the infrastructure and facilities to deliver that storage.

Q213 Joan Walley: Presumably, for people who wish not to purchase nuclear-produced energy, your labelling scheme would give them that information in order that they were able to make an informed choice?

Mr Smith: Under our scheme, if you really wanted to avoid nuclear then you would focus more on the renewables, where you would know you are getting low carbon energy and you would be looking at the simple percentage of what proportion of your supply is renewable. Clearly, in the future, as I said, if you get other technologies emerge, such as carbon capture and storage, then we would need to think about that, because there is a distinction that will emerge in the low carbon area because there could be low carbon tariffs based on carbon capture and storage and there could be low carbon tariffs based on nuclear.

Q214 Joan Walley: Given that you are looking, on the one hand, at renewables accreditation and, on the other hand, you are looking at the carbon intensity banding, how do you intend to get the right balance struck between what is there “at-a-glance” in order for people to be able to make up their minds and exercise choice when they come to purchase energy? How will you get the right balance there?

Mr Smith: If you go back to that analogy of the layering of information, I think the current idea is that the first layer of information you will see side-by-side is the carbon information and the rating on carbon, and then the renewables information. So in the first layer they will be given equal prominence, if you like, but that is the “at-a-glance” information that customers will see.

Q215 Joan Walley: What you do not seem to be doing is having some kind of standardised approach to both categories, because you have chosen a quality mark approach for renewable tariffs and, presumably, this more detailed approach towards the low carbon tariffs. Why are you not treating the renewables market in an equal way to the way in which you are treating the low carbon tariff market?

Mr Smith: We have started off with the idea that both would be A-G or, perhaps, star-rated, 1–5 stars—5 being the best. It was on this difficult issue

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of additionality—when you think about how you would categorise tariffs into those star-ratings—that it got difficult and, therefore, when we talked to the customer groups and everyone involved in the workshops a consensus emerged around the idea that the simplest and the best way to be honest with customers on renewables is the one simple number to say what proportion of your supply is coming from renewable sources. Again, as I stressed, we are out to consultation on this at the moment, so we have not decided that yet. That is where we in the work group have got to, having started with the idea that we would have the same two measures, that because of these difficulties with being honest on renewables the simplest and most honest number was just a simple percentage.

Q216 Joan Walley: In respect of this consultation, can I ask you whether or not you have picked up any responses from people not wishing to purchase nuclear?

Mr Smith: The consultation actually closes tomorrow, so I have not seen any responses. We collate them, look at them and analyse them, but I will not see any of that until after the close of consultation, so I simply do not know. They will all be made available on our website.

Q217 Joan Walley: In respect of the label, will it spell out the fuel mix, or will the customer be expected to deduce it from the carbon intensity band?

Mr Smith: No, it will do. Again, this comes back to this idea of layering. So in the second or third layer of information there will be clear, standardised information on fuel mix.

Q218 Joan Walley: You say that the rating information should be “provided to customers prior to them committing to enter into contracts”. We are just wondering what that means in practice. How can we make sure that customers really are taking that information into account before deciding who to sign up with?

Mr Smith: Again, this is something where we will work with both suppliers and, also, whoever we appoint to accredit this. At the moment, we are trying to set high level principles. Having agreed then we have finished the consultation process suppliers will need to come forward and say: “This is the way we are going to make sure that that happens”. We have already had the debate about it not just being “it’s on our website” because, obviously, some customers would not have access to websites.

Q219 Joan Walley: What kind of indication have you had from the suppliers that in all their promotional literature and so on they will actually be displaying this information? Will there be a requirement for them to do that?

Mr Smith: Yes, it will be a requirement. Clearly, we have discussed this with the suppliers and they know this is part of the package. None of them are coming forward, at this stage, (although we are out to consultation) saying: “We can’t do this” or: “This is

going to create big problems for us”. They have similar obligations under the licence in relation to standard energy contracts—ie there is an obligation to make the terms and conditions clear to the customer before they sign up. So it is just a slight extension of what they do already, albeit it is more information they have got to get to them in terms of the labelling.

Q220 Joan Walley: Will that apply to all advertising, for example? Under the voluntary arrangements where would you expect the labelling—

Mr Smith: Given where we are in the process, I do not think I can honestly answer that because we have not flushed it down to that level of detail. At the moment we have simply said that will be the principle, that is what they have got to do, and the next phase of work, once we have decided all of this, will be for suppliers to come forward and say: “This is how we are going to do that”. Then we will have a look at it.

Q221 Joan Walley: So you are going to wait for them to tell you what to do?

Mr Smith: No, no, not tell us what to do; we are going to ask them to come forward with how they will do it and then we will take a look and decide whether we think that meets the principle or not—whether that is good enough. We are not going to sit here and say to the suppliers: “This is how you have got to meet it”; we are going to let them have a go at coming up with the best way of doing it. However, as I said, if we are not satisfied then, clearly, we can say: “No, that’s not good enough; we don’t think that will meet the guidelines”.

Q222 Joan Walley: In respect of this label, when we finally get it, and depending on where it is going to be displayed, where do you think it will drive the greatest change? Do you think it will be in respect of consumer choices, or in the tariffs and energy mix offered by the suppliers? Where is the drive for this agenda coming from?

Mr Smith: I hope it will be both. I hope it will give more customers the confidence to take up these tariffs, but I hope that will create a virtuous circle because the more customers do that the more you would hope that suppliers will innovate. As I said, what has emerged from our work and the NCC’s work is that there are different customers who have different concerns and different interests. So suppliers should be offering a multitude of tariffs to basically access those different customer groups. So for customer groups for whom renewables is the primary importance you would want to see tariffs being delivered that are close to 100 per cent renewables, as we have at the moment. If there is a large number of customers who are more interested in low carbon you would want to see low carbon tariffs as well. I would hope it would be both, but it is probably the customer confidence that needs to come first.

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Q223 Joan Walley: You were talking about a voluntary self-regulated scheme. The National Consumer Council, I think, are on record in the past as having expressed some concerns as to how much guidelines and voluntary arrangements can ensure good practice. How confident are you that you will get good practice across suppliers with this voluntary scheme?

Mr Smith: We have the powers to make this a mandatory scheme, albeit we have to get a proportion of the suppliers—about 75%—to agree to it, and if they did not we would have to then take the matter to the Competition Commission. We also have a duty to better regulation and to think about the better regulation principles. When we went and talked to customer groups and suppliers all of the suppliers—so not just the big six domestic retailers but also a lot of the small suppliers, including the green suppliers—basically said: “We are up for the challenge of this; we think this would be a good thing for the market and therefore we want to participate in this”. That convinced us, given our better regulation duty, that we should go for self-regulation first. Clearly, if, at some point in the future, that fails it remains open to us, we have the powers, to make this a mandatory scheme, but as we have the suppliers telling us they wanted to do this on a self-regulatory basis we thought it was right to try that first. As I said, if it does not work or if we decided in the future, on the basis of experience, we needed to make it mandatory then we have the powers to do that.

Q224 Joan Walley: How will you know if it is not working? Should your first and foremost priority not be to the customers and making sure that that information is there?

Mr Smith: It absolutely is. Again, that is another reason why going down the self-regulatory approach, which we felt would be faster than having to do things on a mandatory basis and push through licence changes, because suppliers were saying they were up for the challenge, would get us there quicker than a mandatory move.

Q225 Joan Walley: Can I just stop you there? When you say “the suppliers are up for the challenge”, is that all of them? Have you approached all of them and they have all indicated that they are?

Mr Smith: Yes, and they have all been deeply involved. We have had a series of workshops which have involved customer groups, the NCC, the big suppliers and the smaller renewable suppliers. As I said, they have all put a lot of effort and resource into this. So all of the suppliers said: “Yes, we can see that this is something that customers want and that will help build confidence in this market, and so we’re willing to play along.” The suppliers trade body, the Energy Retail Association, which represents the big six suppliers have also put a lot of effort into this in working out the practical details.

Q226 Joan Walley: How long do you think it will take before you know—when you get to that stage of a voluntary arrangement working—whether or not you need to be, under the best regulation procedures, going down the route of making it more mandatory?

Mr Smith: Whenever we have done things like this in the past what we have tended to do is give it 12 to 18 months and then do a thorough review, go and talk to customers and work with customer interest groups. Clearly, if not all suppliers sign up to the voluntary guidelines then we would have to think about that; that would be an obvious trigger where we would have to say how comfortable are we, but as I said at the moment they have all said that they intend to sign up and on the basis of the consultation they are all saying there are issues to work out in the detail, but they are signed up to the principle of this sort of approach. Also, we would have to look at it practically, are the guidelines actually delivering, are customers finding this information useful and valuable and, if not, are the guidelines under a voluntary approach capable of being changed? Dealing with issues that emerge in terms of customers saying they are finding this difficult to understand, under a self-regulatory approach you would want them to say we need to change them and we need to produce something better.

Q227 Joan Walley: Finally, if I may, Chairman, I am just thinking about how, for example, this Committee on an on-going basis might be looking into this at the stage you have got to and your sharing with us your understanding of how on target it is and whether or not there are any triggers that might make anything less than a voluntary way of doing it not necessary.

Mr Smith: I am sorry, I am not sure I understand the question.

Q228 Joan Walley: My question is when you look at that stage of the review in terms of Ofgem and where it sits and what it has responsibility to do, what provision is there for a Parliamentary select committee to be kept informed of your assessment of whether or not the voluntary arrangements are working or whether or not there are sufficient triggers to maybe lead you to be looking at making it more compulsory?

Mr Smith: We would be perfectly happy when we launch the scheme to write to the Chairman and provide you with our assessment of where we stand and then to say that inevitably we will do a review somewhere between 12 and 18 months after it has been implemented, and then again we could write or appear in front of you if you wanted at that time and tell you what we think.

Chairman: Thank you very much for your evidence. I am sorry about the interruption and the delay. Thank you.

Supplementary memorandum from Ofgem

On 9 January, my colleague Steve Smith gave evidence to the sub-committee's inquiry into environmental labelling. Steve promised to keep you updated in our work on green energy tariffs and I would like to let you know the current progress and next stage of our plans in this exciting project.

The background is that, in response to the global challenge of climate change, a number of energy suppliers are offering "green" tariffs to customers. However, our research shows that there is a lot of customer confusion about these tariffs. On the one hand, many consumers want to do their bit to help the environment, on the other hand, they do not know how green some of these tariffs really are and they do not always trust what the companies are saying to them. That is why Ofgem has proposed guidelines for green tariffs and an independent accreditation scheme so that consumers can easily see what a particular tariff involves.

We published a consultation on green tariffs which closed in January and we have spent the last few weeks going through all the responses. At the same time, we have been conducting more direct consumer research through deliberative forums undertaken by Ipsos MORI. The MORI report as well as all non-confidential responses received to our consultation can be found on our website.²⁸

I would like to share with your committee some of the key themes coming out of the consultation and explain how we are altering our plans to take the responses into account. A key concern is over "additionality"—an issue that was discussed at the committee's oral evidence session on 9th January. Many customers want to be sure that they are getting some extra environmental benefit when buying a "green" tariff. We have therefore decided to look more closely at additionality, discussing these developments with interested parties—including your committee if you have comments or recommendations—so that we can publish the finalised set of guidelines in early Summer of this year. This is later than originally planned and so, in order to ensure that a robust scheme can be put in place, we expect the accreditation scheme to be operational by the end of 2008.

We are strongly committed to reducing consumer confusion and providing increased clarity to customers about what it is they are getting when purchasing a "green" tariff. While we regret any uncertainty caused by the delay in finalising the guidelines, we want to ensure that we can continue to meet this objective most effectively in respect of the principles contained within the finalised guidelines and any associated accreditation scheme that may be developed.

Finally, I would like to take this opportunity to thank you for your committee's interest in this important issue and for giving us the opportunity to discuss it with you. I am sure that your committee's inquiry and its subsequent report will make a helpful and important contribution to the future of environmental labelling.

12 March 2008

Memorandum submitted by LEAF

INTRODUCTION

LEAF is a charity whose work focuses on two core objectives, namely:

- Encouraging the uptake of sustainable farming practices through the development and promotion of Integrated Farm Management (IFM).²⁹
- Improving public understanding of responsible farming practices through a long term commitment to communicating and involving consumers in the story behind their food.

LEAF has a well established network of demonstration farmers and strong links with research stations as the LEAF Innovation Centres, has developed management tools to assist farmers in their performance, is the organiser for Open Farm Sunday and has established the LEAF Marque certification scheme.

All of LEAF's work is geared to ensure that farmers are adopting sound, responsible practices based on science which the LEAF Innovation Centres and other research establishments communicate to us. This provides the continual dynamic improvement behind IFM. This system ensures the LEAF Marque standard is robust and gives consumers the opportunity to make responsible choices when they are buying food.

LEAF works with many stakeholders to find practical, realistic, achievable ways of making change happen on the ground through the framework of Integrated Farm Management. This knowledge sharing feeds into the management tools LEAF provides for our members and into the LEAF Marque, a high environmental food assurance standard.

²⁸ The non-confidential responses to the consultation and the final Ipsos MORI report are available from: <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=243&refer=SUSTAINABILITY/ENVIRONMENT/POLICY>

²⁹ Integrated Farm Management (IFM) is a whole farm approach that integrates beneficial natural processes into modern farming practices, balancing traditional methods with advanced technology. IFM is a sustainable farming system that minimises environmental risks while conserving, enhancing and recreating that which is of environmental importance. As a true environmental management system IFM builds on risk management to ensure efficient production which is economically viable and environmentally responsible. LEAF Marque takes IFM right through to the consumer.

Not only can consumers trace the farmer who produced their food to LEAF Marque standards through LEAF Tracks, but they are also able to visit farms to talk, discuss and understand more about their food. LEAF's work is specifically to avoid consumer confusion and to provide clear messages through traceability and opportunities for consumers to understand more about what they are buying, a true example of sustainable consumption.

In order to meet sustainable consumption objectives it is critical that we make sustainable choices readily available, that is what LEAF and the development of LEAF Marque in the market place is all about. It is therefore particularly important that information provided to consumers is honest, truthful, transparent and verifiable.

THE LEAF MARQUE

The LEAF Marque is about Linking Environment And Farming. It gives consumers the choice to buy affordable food produced by farmers who are committed to improving the environment for the benefit of wildlife and the countryside

LEAF Marque is a certification standard for farmers and growers. LEAF Marque provides stronger environmental credentials to the existing farm and food assurance schemes.

Farmers and growers who are LEAF Marque certified have been independently inspected by food certification organisations licensed by the United Kingdom Accreditation Service (UKAS). The LEAF Marque is the consumer's assurance that the producer operates their business and production processes to the LEAF Integrated Farm Management principles and to high environmental standards. The care and attention demanded by an Integrated Farm Management system, required as part of the LEAF Marque, has environmental benefits in its own right—for full health, biodiversity and a living countryside.

LEAF Marque works closely with key retailers, including Waitrose, Marks & Spencers, Wholefood Markets. LEAF Marque produce is increasingly available in ASDA, Sainsbury's and Tesco as well as other retail and processing outlets, some of which is labelled, some meeting the standards but using the retailers own label.

PRINCIPLE LINES OF INQUIRY

Products requiring labelling

Farming is often criticised for its environmental footprint and with the exception of organic labels there is little opportunity for farmers to get recognised for the evidence of their environmental performance. For food, environmental labelling is valuable on two accounts firstly it provides consumers with the opportunity to purchase responsibly sourced food and secondly it provides farmers with the motivation of committing to and improving their environment. Since the environment embraces all resources on farm, one of the key areas of potential confusion is where the environment is divided into single issues, such as: biodiversity, carbon footprint, soil management, water preservation and quality, landscape value, etc. For the sake of the consumer they want to be reassured that when they purchase a food product all their concerns are accounted for, that is what provides the clarity and that is what the LEAF Marque is about—a whole farm management approach.

All of the current food environmental labels are voluntary. However, all UK grown fruit and vegetables in Waitrose are grown to and labelled as LEAF Marque. M&S have also included LEAF Marque in its field to fork protocol as a requirement. The LEAF Marque logo is also carried on Burts Chips, Heritage Potatoes and Cold pressed rapeseed oil "Mellow Yellow". Many of our members also use the logo on produce direct from the farm in farm shops and on direct sales. We have suppliers of fruit and vegetables that also champion the logo and messages to their catering customers in large city institutions including getting farmers to speak to the customers about LEAF and how they farm.

We wish to grow the market for LEAF Marque certified product in all sectors of food production both retail brands and private label. We would like to see all retailers stock a proportion of LEAF Marque produce as a subset of conventional produce similar to organic but greater volumes.

Currently the production area of LEAF Marque cropped land in the UK exceeds that of cropped area of organic. LEAF Marque is rapidly growing and attracts little tax payer's money for its development and promotion.

What should be shown under a labelling system

The best way that environmental labels convey information accurately is where there is a product line number, where consumers are able to see the production methods for themselves either in action or virtually on the web or the label itself is very clear. As an example, LEAF Marque has developed LEAF Tracks, allowing consumers direct access to the farmer who has produced a product via the web site and a unique

number, there is the web site address of all LEAF Marque products and there is the opportunity for consumers to visit a LEAF demonstration farm or during Open Farm Sunday see LEAF Marque principles in practice. The product Marque, clearly states that LEAF stands for linking the environment and farming.

While labels which demonstrate the carbon footprint of a product are very topical and exciting the embodied carbon within different food products is extremely complex. Different annual weather and harvest conditions, production methods, food types (fresh, meat, vegetables, fruit, processed, etc), cooking vs raw, etc all have markedly different footprints. Through the development of Integrated Farm Management we believe that the focus should be on energy efficiency and measurements of greenhouse gases on farm focused in a way to ensure attention to detail and reduction. However, one of the benefits of carbon labelling is the pressure it puts on businesses to develop new technologies to reduce the carbon foot print.

With regards to the issue of carbon foot printing and food miles, LEAF has been clear with its position. The LEAF Marque standard is an on farm certification standard, since Integrated Farm Management is the principle behind the standard. LEAF Marque delivers a whole farm approach that requires the farmers to assess their energy usage and greenhouse gas emissions. With a commitment to continual improvement within the standard, LEAF Marque provides a more straight forward approach for consumers whereby they can be confident that the farmer has considered all aspects of their farm management in their growing of the produce—this includes looking after the environment and biodiversity, lightening their carbon load, maintaining and enhancing their soil, reducing waste alongside an approach to complete resource management and quality food production.

The case for rationalising environmental labels

It is important to recognize the difference between branding and labels. There are many brands in the food business distinguishing food ranging from celebrities, to location, to traditional methods of production, these claims are generally based on single items and are often based on trust and endorsement. Consumers tend to make choices to purchase these foods due to special occasions, as gifts following a holiday in a specific place, etc.

There are few independently, externally verified environmental food labels apart from organic and LEAF Marque.

We do not believe that there is a case for rationalizing the system of environmental labelling as it is the market that ultimately decides the success or failure of any product. It should be remembered that thousands of new product lines are developed, but according to a study by IRI based on a sample of new products, 40% are still available 12 months after launch but only 20% achieve a rate of sale equivalent to well established products. This is consistent with the 80% failure rate for new products which is often quoted.

We also believe that calling for certain labels to be given priority when displayed on products is not realistic. Brands and products often pay for the privilege to be given priority placement on shelf. However, we believe that government and the food industry must ensure that it supports equally the environmental labels to enable them to flourish and ensure that consumers understand the label and reason why they should seek them out. Where we believe the EAC sub-committee could assist is in the endorsement and promotion of environmental standards and ensuring equivalent standards are expected on food or other products brought in from other countries.

The impact of environmental labelling on consumer behaviour

We certainly realise that there is misunderstanding in food labels, this is evident from the statistics and deeper consumer surveys. Examples include the understanding of what organic represents and the percentage of consumers recognizing and understanding the LEAF Marque.

Environmental labelling does have an impact on change in behaviour: from the retailers, their share values, corporate social responsibility and focus; from farmers through meeting the standards and the consumer through the understanding and feeling that they are making the right buying choices.

We feel strongly and indeed have evidence to support the fact that environmental labels have a positive effect on human behaviour and change and on improving the environment.

From LEAF's work we are clear that there are four main ways of changing consumer behaviour these are:

- Responsible production methods.
- Effective communication and understanding.
- Successful business coalitions.
- The right political and regulatory infrastructure.

It has been clear from LEAF's work over the last 16 years that UK farmers need to be recognised for where they have gone the extra mile to deliver environmental benefits. Farmers carrying out the LEAF Audit³⁰ wanted independent verification so they could add value to their product and having visited LEAF Demonstration farms, consumers wanted to know where they could buy produce from such farmers. Hence the development of LEAF Marque. Since the initiation of the Marque the question of course has been raised as to availability and choice. So LEAF Marque is now working with overseas producers in order for them to meet the standards—this allows consumers to have access to sustainable food choices and also means that UK farmers can be confident that where produce is sourced into the UK there are equivalent standards to those required of the UK farmers. This also provides the new opportunities for UK farmers to develop new export markets. The LEAF Marque is not an easy standard to attain but with such a commitment behind the standard the farmers are finding it a meaningful and robust standard that helps them plan a more sustainable business whilst achieving environmental improvement year on year.

The regulation of environmental labelling

We believe that the current regulation supporting the farmer's labelling is sufficient however when looking at Eco-labelling and Life Cycle Analysis, where the whole chain is assessed, we are concerned that the regulation surrounding the retail sector is not independent or complete. This is evident from the approach that the Office of Fair Trade has taken which is based on "value" for money to the consumer and does not account for the environmental and social measures adopted by many of the farmers and producers required to meet environmental standards.

LEAF Marque is an accredited scheme to EN450011 to ensure that consistent inspections and certifications are carried out by multiple certification bodies worldwide. To LEAF, the scheme owners, this credibility and consistency are paramount. However, we believe that assurance is not just about inspection and certification, for LEAF it is a range of tools for the farmer, the food chain and the consumers, including the ability for the food chain to verify product status and the consumer to trace its food using our LEAF Tracks system. LEAF has also developed a custody and warranty agreement process which tracks LEAF Marque produce and composite ingredients and products giving LEAF the ability to carry out product audits. This system also allows us to facilitate trade in LEAF Marque produce by the population of directories for the food chain and the consumer.

Exports from developing countries

LEAF Marque has gone global, it was a difficult decision for us as an organisation, due to the strong support from UK farmers and their concerns that overseas production would not meet the standard and would compromise their own production. We debated the issue for a long time within our advisory committee and are clear that as an organisation we are committed to more sustainable farming practices and the promotion and development of Integrated Farm Management globally. Furthermore we believe that it is important that we provide UK consumers with the right and responsible product choices to ease their purchasing decisions.

In taking the LEAF Marque overseas we have worked closely with Waitrose and their main supplier base in fresh fruit and vegetables. As a retailer Waitrose is committed to all their fresh produce being LEAF Marque by 2010, they see the benefits to themselves and also their supplier base and we are now working with them and the certification bodies to ensure that the standards are met, but also that the farmers can deliver the standards.

There are also benefits for UK farmers due to the opportunity for them to develop new markets and exports.

In going global we have to ensure that we can deliver the standards and benefits to small producers in developing countries. This is challenging for all standard owners, we are taking the approach of EurepGap and developing a producer group membership and certification to deliver LEAF Marque certification at an affordable price so not excluding small producers and allowing them to still trade but giving them the equal recognition they deserve where they have met the standards.

³⁰ The LEAF Audit is a whole farm, business and environmental management tool. It was developed by farmers, stakeholders and researchers, for farmers to help them improve the efficiency of their farming businesses as well as demonstrate their environmental credentials. First developed in 1993, the LEAF Audit is updated annually and will be available on-line from October 2007. The LEAF Audit covers the whole farm—from the office, energy efficiency, to wildlife and the market place. It is a practical management tool for farmers to demonstrate where they are "getting it right" and where improvements are needed. Annual benchmarking allows farmers to compare themselves against others and also their personal improvement year on year. Full interactive referencing is also an integral part of the LEAF Audit. The LEAF Audit is one of the government's pilot indicators of sustainability.

INTERNATIONAL LABELLING

There are well developed discussions in the European Commission on food quality labelling. This is a complex area and there are a range of food quality definitions. At LEAF we see such labelling falling into three main categories:

- Food safety—Red Tractor, GLOBALG.A.P. (formally EUREP GAP) EU, QMS, etc.
- Authenticity—PDO, PGI, Local, etc.
- Added Value—environment, animal welfare, fair-trade.

We are concerned that much of the discussion at a European level is geared around protection of markets; this is not compatible with the rules on trade set out by the WTO. This discussion is still progressing in Brussels and we understand that in 2008 efforts will be focused around communicating with the European citizen and food labelling may be one of the areas focused on.

Where an international environmental labelling system is helpful is in achieving equivalent standards right across the globe.

LEAF Marque has the ability to allow the scheme to be promoted in other countries, particularly English speaking countries, it is possible that we could have mutual recognition of standards so that for instance the French who are accredited to Agricultural Raisonnais can use the LEAF Marque in UK and UK growers can use their label in France.

LEAF has strong links across Europe and is a founding member of EISA (the European Initiative for the Sustainable Development of Agriculture) a cross European group of organisations developing and promoting Integrated Farm Management.

17 September 2007

Witnesses: Ms Caroline Drummond, Chief Executive, Mr Jeremy Boxall, Commercial Manager, LEAF and Ms Mary Bosley, Agriculture Manager (Fruit, Vegetables and Horticulture Buying), Waitrose, gave evidence.

Q229 Chairman: Good afternoon and, once again, I am sorry for the delay in starting your section of the evidence this afternoon. We do have an absolute cut-off this afternoon of half past four and we still have some other witnesses, so I shall ask my colleagues and yourselves to be as concise as possible so we can get through all of the areas that we want to look at. I will kick off just by asking you if you will describe LEAF's work and what you feel makes your labelling system worthwhile and distinctive.

Ms Drummond: LEAF is a charity and our work is very much about two things: firstly, to encourage farmers to adopt more sustainable farming practices and, secondly, to encourage the public to get a better understanding of countryside matters, food production and farming. We do that through a variety of ways; from a technical perspective encouraging farmers to use tools like environmental audit guidelines, we have demonstration farms around the country and we do a thing called Open Farm Sunday once a year to encourage the public out onto farms, and last year we had 150,000 people step out onto farms. We also do it through other ways and one of those is also as we have gone through the journey of encouraging more sustainable production, it has been identified both from the farmers' perspective but from the consumers visiting demonstration farms, going out onto farms, that actually they wanted to see it in the supermarkets and retail outlets as well, and that is really where the development of the LEAF Marque came about. The uniqueness of the LEAF Marque and really our whole approach is based around a whole farm approach, so it is integrated farming. If you can imagine Cirque de Soleil and how somebody is juggling about 10 to 15 balls at any one time, that

is really our perspective of where farmers are, which is that they are juggling soil management, crop protection issues, crop health, animal welfare, biodiversity, energy efficiency all the time to try and get a balance for a good, productive farming system that is responsible towards all our resources—soil, water, air, biodiversity, but likewise is also delivering good quality food. Those are really the core principles.

Mr Boxall: The LEAF Marque recognises integrated farming; it is based on integrated farming principles. The standard has been developed and is now in the eighth year, so from 2000. We have a very substantial Technical Advisory Committee and it is something that LEAF has been very good at since its inception back in 1991, bringing different interested parties together to get a consensus on a way forward for farming, and that has come through in the Technical Advisory Committee that sets the standard for the LEAF Marque. We have on that Committee: Defra, Environment Agency, Natural England, RSPB, certification bodies are represented, UCAS attend the meetings, Business Links and Waitrose. We have farmers, technical managers, the IIED, the World Wildlife Fund, Crop Protection Association and the Farming and Wildlife Advisory Group, so it is a pretty substantial group that sets the standard on an annual basis and we do aim to develop the standard on an annual basis, it is not set and then runs for three years or whatever, it is continually updated. In fact we can update it and improve the guidance notes through the year.

Q230 Chairman: Where is the demand coming from that is driving this process along, is it farmers, retailers, consumers?

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Mr Boxall: It is all three really.

Q231 Chairman: In equal measure or is one really further ahead?

Mr Boxall: It is very much farmer-led initially, obviously retailer-led because it is retailers who make the decisions whether the label appears on the product or not.

Q232 Chairman: Can I just ask if farmers have to pay for a licence or whether whoever uses the label; do they have to pay for a licence to do that?

Mr Boxall: Not directly a licence, but they have to be a member of the charity.

Q233 Chairman: There is a cost.

Mr Boxall: There is a cost, yes, but it is actually a very modest cost, somewhere between £50 to be a member of LEAF, up to £150.

Q234 Chairman: The reason I ask is we know that farmers are quite hard-pressed, or they always say they are, but whether we believe it or not is another matter. There are so many of these schemes: Red Tractor, Freedom Food, the Soil Association and various other things that we could think of which probably all attract a bit of a cost and it is bit of a burden for them.

Mr Boxall: It is. There is a cost, but what we are doing with the LEAF Marque is we are actually building on those baseline schemes. Caroline mentioned whole farm; one of the most important standards in the LEAF Marque really is that you have to be a member of the appropriate baseline insurance scheme for each enterprise on your farm. LEAF Marque standards actually build on those existing standards, those safety standards, that are in the red tractor scheme and that does reduce the cost of inspection and certification.

Q235 Chairman: For producers then, they get the label. Have they seen any benefits commercially from adopting the label; selling more products or charging a premium price for them?

Ms Drummond: A variety, and this is where the benefits come both from the perspective of the charity work that we do in raising public awareness and raising the skills of farmers, but also from the marketplace. Because farmers are carrying out integrated farm management it is very much about attention to detail in the farming practice, and so they get benefits from actually better business management, they can get benefits and rewards from the marketplace itself—for example, if you have a Waitrose contract it is a very good contract to have as a farmer and there is that element of security of the contract—in some instances it is providing farmers with the opportunity of a premium market, and what we can do is that whilst we cannot ultimately sell farmers' own food we can provide them with the tools to give them the enthusiasm and the opportunity to make their businesses more effective, and that is really where a lot of the innovation and a lot of the buzz comes from the farmers' point of view in terms of actually delivering

better businesses and the feel-good factor. I know it is a very corny factor, but actually it is the recognition and the pride that people take in doing a good job but getting recognised for doing a good job as well.

Q236 Chairman: We have had a lot of food scares over the years, in different areas of agriculture, is there any evidence you have found that people will turn to environmentally-labelled products at times when there is some scare going on?

Ms Drummond: Mary is probably the best to answer that.

Ms Bosley: The important thing is that consumers have trust and confidence in what they are buying, and that is the importance of the Red Tractor Scheme, that is the baseline standard which is particularly about food safety. In terms then of people turning to environmental standards when, perhaps, there are scares out there the point is, particularly with LEAF because it is an independently accredited standard, people then understand that there are independent people going onto farms and looking at how they are managing that farm and the activities that they are doing. That in itself then provides some reassurance, but it is also about the reassurance of the brand of the retailer where the customer is shopping as well.

Q237 Chairman: Do they have anything more than a vague idea of what it stands for? Do they just like the logo, which has obviously been professionally designed to look friendly and nice and sweet and harmonious, or is it that that product is better than that product?

Ms Bosley: Certainly at the moment we have not got hard facts as to exactly what the customer does recognise and know about the logo and what it stands for. We know that there is an increasing recognition, as more and more products are out there and available for people to shop and they see the logo on the label. We are, quite by coincidence, going to be doing some market research and consumer research work later this month where we will find out a little bit more about, if you like, where understanding needs to be improved, and then that will help us to tailor how we communicate more to customers. Certainly, as Waitrose, we try all kinds of ways to help the customer to understand what LEAF is about, so it is not just the label on the pack but we have quite a number of magazines and communications that we give to our customers. We have some glossy food magazines called *Food Illustrated*, we have recipe cards and things like that and so we do use all those opportunities to show the LEAF logo and to talk about LEAF and, in simple ways, to explain what it is all about. One of the most interesting things that people find is that we do actually have articles about farmers, not just in the UK but overseas, where the journalist goes out and tells the story of what the farmer is doing, and then there are live examples given of exactly what the farmer has done and the changes he has made on his farm because he has gone down the route of LEAF certification. The other important thing to add to

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what has been said already is that with LEAF it is not just about a tick box, it is about the farmer embracing and farming in an environmentally responsible way. It is also about continuous improvement too, so that recognition encourages them to want to go on improving, and it is not just about standing still, it is about every year doing something a bit more, a bit different.

Q238 Joan Walley: I am just wondering, are there any farmers in Ambridge who display the LEAF logo?

Ms Drummond: It has been mentioned, they were going to do Open Farm Sunday and hopefully they will next year, but as yet they do not do LEAF.

Q239 Joan Walley: I could not resist that, sorry. I was just wondering whether or not the attractiveness of your scheme is very much more towards the top end of the market and where that sits with producers altogether and with the NFU in particular, because they do have doubts about the scheme that you have, do they not, in so far as they are concerned about how robust it is?

Ms Drummond: In terms of the robustness of the scheme those claims are totally unfounded in that Jeremy has highlighted the people on the technical committee, the accreditation, the fact that it is independently verified, UCAS accreditation EN450-11, so in terms of the format and the framework of the standard it is as robust as the Red Tractor and probably more so in terms of the range of other organisations that actually we are really bringing in to challenge the system, to make it practical, to make it realistic but also to make it deliver, because ultimately that is what we are about. In terms of your query with regards to the level of access for all sectors of consumers, again I think that, as consumers, people increasingly want to be purchasing the right thing, and it is making the right thing easy to purchase in store. One of the things you highlighted is lots of logos, but actually there are very few standards and there are very few standards that are robust that really represent environmental criteria. We have a situation where food is so popular in television culture and things like that that people are starting to ask about the provenance of all sectors, and one of the beauties behind LEAF is that it is an affordable product at the end of the day, it is not set out as a premium product. It is something achievable for every farmer but, likewise, it is achievable with regards to the consumers to get access to it.

Q240 Joan Walley: One of the things that the NFU raised in their evidence to us was the question as to whether or not your scheme does have this rigorous standard under regular review. I am just wondering whether or not anyone other than LEAF has a role in actually setting and assessing your own standards? How are they set, how are they assessed and what would your reply be to the NFU that they are sufficiently rigorous?

Mr Boxall: We have this Technical Advisory Committee which is made up of all these organisations. The only LEAF person there is myself.

Q241 Joan Walley: When you say “all these organisations”, which organisations?

Ms Drummond: This is the RSPB, Defra, Environment Agency, Waitrose, UCAS, farmers, they are all outside the organisation, invited onto the Technical Advisory Committee. We start off in January, going through the standard, looking at where we can improve it—the Committee does, not me—so it is there as a standard, it is tested out on farms with the certification bodies. The people who actually inspect the standard, the certification inspection bodies, they are there on the Committee to ensure that the standards are written in a way that they can be inspected independently and verified on the farm. We have annual inspections by the certification bodies and what happens at the inspections is that they will go on the farm at the same time as they are doing the Red Tractor schemes, will inspect against a standard, verify compliance or non-compliance and then a certification manager, back at the certification body, will agree whether that farm is compliant or not from the documentary evidence inspectors give them.

Q242 Joan Walley: Your answer to the NFU would be that you do not make up the standards yourselves.

Mr Boxall: No, not at all.

Ms Drummond: Could I just add, one of the things that is unique about the LEAF Marque is that actually the inspector goes out onto the farm whereas a lot of the inspections relating to farm assurance schemes tend to be office-based.

Q243 Joan Walley: Who are the inspectors employed by?

Mr Boxall: Independent certification bodies who we licence.

Q244 Joan Walley: In respect of coming up with new standards, for example there has been a lot of discussion about eggs and chickens and so on. Would your standards relate to that as well?

Mr Boxall: Not really, no. Our standards are based on integrated farming principles and practices; they are fairly generic so they have to cover livestock farms, right the way across to glasshouse production, and it is really about the principles of how they go about making decisions and the processes and practices they have in place, it is not about animal welfare.

Ms Drummond: In effect you have got your core standard for food safety with the Red Tractor and

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then the bolt-ons which are the LEAF Marque and obviously Freedom Foods which covers a lot of the welfare perspective.

Q245 Joan Walley: What about the concern that has been expressed that the market is not actually willing to pay for the extra costs that are involved in this labelling. Would you like to comment on that?

Mr Boxall: Many of our farmers have actually saved money or earned money out of being involved with the LEAF Marque so that their cost of production has actually gone down. Becoming LEAF Marque certified need not cost you any more money, it will save you money, and what is good for the environment is also good for your pocket.

Ms Drummond: At the other end, obviously, the cheap food comes at a huge cost and ultimately we need to be very sure about all the big issues that are facing us in terms of land management, land usage, whether it be waste, fuel requirements, food requirements, biodiversity. They are a really big challenge and so in order to meet that you need a robust farming system which is also where integrated farming comes in.

Q246 Joan Walley: Just going back to the NFU, they have stated to us that labels such as yours, which do provide higher environmental standards, but at a premium cost, appeal only to a limited market which is where I really began my questions. How do you respond to that?

Ms Bosley: The point is that there is not a premium charged for LEAF Marque product, it is not correct. The statements that were made by the NFU about the premiums were not factually correct, I do not think, and, secondly, where different retailers do have price premiums over other retailers for certain products that will be for a number of reasons. It may be because the specification in terms of the size of the product is different, it may be a different variety, and therefore the premium is made up of a number of things and certainly is not a premium which is purely from an environmental point of view. I do not think, generally speaking, that there will be a premium for that environmental compliance because the reality is that the growers of fruits and vegetables are not asking for a premium because they do LEAF because, generally speaking, as Jeremy has said, actually they find a benefit to their business and they find that they save costs overall by actually managing their business in a different way.

Q247 Joan Walley: Do you intend that they will eventually have universal coverage under the LEAF Marque?

Ms Bosley: I am sorry, I do not understand.

Q248 Joan Walley: Are you aiming to get universal coverage with the LEAF Marque?

Ms Bosley: With all retailers do you mean?

Mr Boxall: Yes, we would like to see LEAF Marque produce in every retailer.

Ms Bosley: The reality is that LEAF Marque produce is in most retailers, it is just that some choose to label it, some do not and of course in some

cases, as with Waitrose, we make it a condition of supply to do LEAF Marque; other retailers do not necessarily make it a condition of supply but they will have LEAF Marque produce there.

Q249 Joan Walley: So as well as the condition of supply what kind of other arrangements are there with your retailers which enable you to advance the use of the LEAF Marque?

Mr Boxall: We are talking to all the retailers to try and encourage them to recognise LEAF Marque with their customers, but it is not just about retailers, there are other food brands that can carry the LEAF Marque. Burt's Chips is a potato crisp manufacturer and they have the LEAF Marque on the front of the pack; that is going into 3,000 outlets nationwide. We have another farm producing cold-pressed rapeseed oil that carries the LEAF Marque, so we have to work with food brands and retailers to get that recognition of the label, but we want to see LEAF Marque produce on every plate.

Q250 Chairman: Can I clarify one point because obviously we have just been talking about UK farmers, have we not, but many of your food products are sourced from abroad, so how can you extend the coverage or the comparisons; are there schemes elsewhere that can be used as an equivalent to the LEAF Marque?

Ms Bosley: That is something which Waitrose are now actively engaged in, and we made the decision about a year ago to extend LEAF Marque to all of our fresh fruits and vegetables, so we have started a process with our overseas suppliers, working towards a goal in 2010 of having all of our fruits, vegetables and flowers LEAF Marque certified. It is a big project.

Q251 Joan Walley: That is all overseas suppliers.

Ms Bosley: That is all of our overseas suppliers because we believe it is important to have a level playing field, and the Waitrose brand is about a brand where core values are high food safety standards but also environmental and animal welfare standards with the kind of products that we buy. Therefore, it is not appropriate to only enforce those standards in the UK. We happened to work in the UK first because, obviously, a very high proportion of our fruits and vegetables are British and, also, LEAF's own origins were with British farming, but together we have decided that it is absolutely right to take those standards overseas and to work with our overseas growers to do that. We have a programme of introduction and helping people to do that.

Ms Drummond: From our perspective, as you can imagine, for a lot of British farmers it is a difficult decision to make, but again it is this recognition that it is about the farming system that is actually transferable right across the world, in terms of doing the right thing, in the right way for the right reasons really. As well as Red Tractor, which is

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underpinning LEAF Marque in terms of food safety evidence, there is global GAP and European GAP which deliver those same infrastructure requirements on a global perspective, which is really important as well.

Q252 Jo Swinson: Just to turn to the issue to the environmental carbon aspect of it, there has been a lot of interest in the media and indeed this Committee has heard a lot of evidence about carbon labelling. To what extent does your marque cover the carbon emissions of the products and actually then getting products to their destination where they are sold?

Mr Boxall: The standard requires farmers to carry out an energy audit and reduce their reliance on energy. They are also required to calculate their CO₂ emissions as part of the standard as well, and actually LEAF has been doing that since 1993, so that is nothing new to LEAF or many of our farmers. The important aspect in terms of reducing the reliance on carbon or carbon fuels and everything, integrated farming is about good resource management and reducing reliance on pesticides, fertilisers, et cetera, so there is a natural philosophy within the farming business to actually lower the carbon.

Q253 Jo Swinson: How confident are you that the CO₂ emissions calculated are accurate, what have you learned since 1993 about how they can become more accurate, because the calculation of such things has come some way since then.

Ms Drummond: It is the methodology, at the end, and it is having the right calculations to support that, and I think it would be fair to say that we recognise that since we started really looking at it in 1993 the best way we felt we could deliver was helping farmers be much more efficient in how they manage, whether it is their soil, whether it is their inputs *et cetera*. To start off with, therefore, it has been pretty crude to be quite honest, and it is only now that the information is more readily available to get the balance right and it is, as you will know, a complete nightmare because also, from a farmer's perspective, more often than not they are always going to end up as a carbon contributor because any inputs they bring in get added to their carbon value, any outputs that are taken off the farm they again lose out on. If they make milk and it has embedded carbon in it, it is moved off the farm, so they never kind of win. We do not do it across the food chain and I think with regards to transport and that area we have not touched that, that is not part of what we are really focusing on, it is about the food production.

Q254 Jo Swinson: You say that LEAF producers have been measuring since 1993; what do you do if their CO₂ emissions go up, do they then not become LEAF certified or what sanctions are there on farm producers that are not reducing?

Mr Boxall: If the CO₂ emissions go up there are no sanctions or anything, the act is in fact one of measurement and understanding where they are emitting CO₂ so that they themselves can change

their practices, so the tool is really for them to use in their own way, it is not a case of sanctions or whatever.

Ms Drummond: Last year, for example, with all the rain and in terms of any fuel use for tractor use and things like that, the carbon footprint goes up.

Q255 Jo Swinson: I appreciate there are obviously specific factors that could happen, but have you generally found that over the years the carbon emissions have gone down amongst your producers?

Ms Drummond: Yes, in terms of efficiency really and it has inspired people to be more innovative. That is the driving force behind it, people get a buzz from doing things right and it makes them look for new ways of doing things.

Mr Boxall: An example would be minimum tillage, for instance, reducing the reliance on ploughing the field so that there is a reduction in fuel use.

Q256 Jo Swinson: How much do you think carbon labelling itself could adequately capture the environmental impact of products? There are different pilots happening at the moment, do you think that has a future?

Mr Boxall: Yes.

Ms Bosley: It is only a part of it though and the important thing about LEAF and why LEAF is important is because it is a holistic approach and it is a broad environmental approach, it is not just about the impact but it is also about enhancing the environment around where food is produced and it is about helping to conserve and help endangered species in certain cases and it is also about sustainability, it is about the management of the soil and the care of the soil for future generations. So carbon is a subset of the broad environmental subject and it does not capture all of the issues that we are interested in in terms of making sure that we source products from farms which are sound environmentally.

Q257 Jo Swinson: On that point then on the limitations that there are of carbon being used as a sole environmental criterion, your label obviously has a really wide range of environmental criteria built into it; do you think it is possible for a single label to illustrate the true environmental impact of a product, is that what your aim is?

Ms Bosley: It is incredibly complicated and if we are talking specifically in the area of fruits and vegetables, which we have been talking about this afternoon, it is incredibly complicated because every season, every country where a product is produced there are different conditions and therefore the carbon element is going to be different, so if you took something like peaches or nectarines the season changes where it is grown and produced about every six or seven weeks, so every one is going to be different. It is incredibly complicated and certainly, if there is a system to be developed, it has got to be one that is developed with a lot of different stakeholders taking part to make sure that all of the

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issues are captured and that the system is then easy to use, because it could be incredibly complicated; I think that is the concern.

Q258 Jo Swinson: Are there any major issues that you think the LEAF scheme does not cover?

Ms Drummond: We are about the farm and the food production and ultimately in terms of what we do not address I suppose it is the movement beyond the farm gate and the purchasing within the retailers and the whole element of the food chain. That is the shortfall, yes.

Q259 Jo Swinson: Defra have submitted evidence to us and they have said that they are looking at possibly developing some form of generic standard for integrated farm management; is that something which you think could have an impact on LEAF, is that something which you would welcome?

Ms Drummond: It would have an impact on LEAF, definitely. We are concerned about it, we do not know enough detail in terms of actually what they are ultimately wanting to try and achieve from it. It is creating confusion because we are moving into a changing world within farming where the CAP regulations and the cross-compliance requirements and the ELS payments and things like that have meant that farmers have radically changed farming practices to deliver regulation over the last two years. From that perspective you have got this area where really Defra are putting in a tremendous amount of effort to support regulation and this other area which is the market. I think there is a concern as to the IFM standard development as to where it fits in with the legislative requirements and the new legislative requirements, whereas the beauty of it being an independent and voluntary type approach allows farmers to really be in control and, ultimately, the regulations to be kept better in place because nobody wants more regulation. There are concerns in terms of how Defra develops that and where does it fit in as a regulatory requirement.

Q260 Jo Swinson: Are you in discussions with Defra about that?

Ms Drummond: We are, yes.

Q261 Jo Swinson: Do you not see the potential for it to benefit LEAF because obviously you are already a well-established Marque for new standards and actually it could propel LEAF into being used more widely than it is now.

Ms Drummond: Yes, potentially. It depends how it is going to be carried out, I think, but potentially if it is encouraging and kick-starting more voluntary action or allowing farmers who have perhaps gone down the LEAF Marque route or even the Red Tractor route to have a lighter touch of regulation, because they are getting independent external verification, that is a fantastic opportunity for us, for farmers, it puts farmers much more in control. If it moves into the marketplace then I think that is perhaps a little bit more complicated.

Q262 Chairman: Just before we finish could I ask how many farmers out of how many, if you know the figures in the UK, are signed up to LEAF?

Ms Drummond: We have about 3,000 farmer members, there are around 110,000 farmers, of which probably your core farmer sector will be around 60,000 farms.

Q263 Chairman: Have you lost any farmers for their waywardness in implementing LEAF?

Ms Drummond: It is part of the journey, so within the journey of the charity we encourage all farmers to join because it is moving people to continually improve. When it comes to the LEAF Marque standard, that is a different robustness.

Mr Boxall: With the LEAF Marque standard we have 18% of horticulture accredited. In terms of land area accredited to LEAF Marque it is 2.6% of cropped land accredited, that is excluding grassland, compared with 1.67% which is organic, so LEAF Marque certification has already exceeded organic in crop land—that is cereals, horticulture *et cetera*.

Chairman: Thank you very much, I shall be looking for the LEAF Marque on my next box of Duchy Original biscuits, if they are signed up—they had better be signed up. Thank you very much.

Supplementary memorandum submitted by LEAF

Thank you for the opportunity to respond to the committees questions about LEAF Marque and our views on environmental labelling on 9 January.

We were pleased to be able to respond constructively on our thoughts and experiences in the development of environmental labelling, specifically relating to food.

One point however was that we picked up that there were concerns raised about the independence of the verification of the LEAF Marque standard and we wanted to clarify the robustness of the standard and indeed its independence, openness and benefit to consumers.

LEAF Marque is a certification standard for farmers and growers. LEAF Marque provides stronger environmental credentials to the existing farm and food assurance schemes. LEAF Marque standards are applied to the whole farm, under the management of the member's business; this includes land that is let and land that is rented (standards apply to the business's areas of responsibilities).

As a fully integrated scheme, members must demonstrate continual environmental improvement through their land management practices across the whole farm. The environment includes key resources and specifically soil, water, biodiversity and air quality. Members of the scheme are assessed according to their:

organization and planning; soil management and crop nutrition; crop protection; pollution control and waste management; energy and water efficiency; wildlife and landscape; animal husbandry and the environment.

To qualify to use the LEAF Marque Logo the business must comply fully with all the Critical Failure Points (CFP) set out within the standards by an independent Technical Advisory Committee and only after inspection and certification by an authorised inspection and certification body that has issued the farm a certificate. A LEAF Marque certificate covers the production Unit in totality and is not limited to defined crops or enterprises within the farming business.

Farmers and growers who are LEAF Marque certified have been independently inspected, at least once a year, by food certification organisations licensed by the United Kingdom Accreditation Service (UKAS). The LEAF Marque is the consumer's assurance that the producer operates their business and production processes to the LEAF Integrated Farm Management principles and to high environmental standards. The care and attention demanded by an Integrated Farm Management system, required as part of the LEAF Marque, has environmental benefits in its own right—for full health, biodiversity and a living countryside.

LEAF Marque is an accredited scheme to EN450011 to ensure that consistent inspections and certifications are carried out by multiple certification bodies worldwide. There are five inspection bodies for this scheme: EFSIS Ltd (Now SAI Global Ltd), National Britannia Certification Ltd, PAI Certification Ltd, CMi Certification Ltd and SFQC Ltd. All are UKAS accredited to EN45011 for LEAF Marque.

A technical advisory committee comprising key environmental, farming government and consumer representation, including retailers, RSPB and WWF, review the standard throughout the year to account for legislative changes and technical or scientific developments. The reviewed standard is launched on the 1 January each year. This standard is freely available on the LEAF website www.leafmarque.com

The scheme is open to all producers that meet the standards. The standards are available in English, French and Spanish.

To LEAF, the scheme owners, this credibility and consistency are paramount. However we believe that assurance is not just about inspection and certification, for LEAF it is a range of tools for the farmer, the food chain and the consumers, including the ability for the food chain to verify product status and the consumer to trace its food using our LEAF Tracks system. LEAF has also developed a custody and warranty agreement process which tracks LEAF Marque produce and composite ingredients and products giving LEAF the ability to carry out product audits. This system also allows us to facilitate trade in LEAF Marque produce by the population of directories for the food chain and the consumer.

Not only can consumers trace the farmer who produced their food to LEAF Marque standards through LEAF Tracks, but they are also able to visit farms to talk, discuss and understand more about their food. LEAF's work is specifically to avoid consumer confusion and to provide clear messages through traceability and opportunities for consumers to understand more about what they are buying, a true example of sustainable consumption.

LEAF Marque works closely with key retailers, including Waitrose, Marks & Spencers, Wholefood Markets. LEAF Marque produce is increasingly available in ASDA, Sainsbury's and Tesco as well as other retail and processing outlets, some of which is labelled, some meeting the standards but using the retailers own label.

To add to the above I have attached a full listing of the organisations represented on the LEAF Marque Technical Advisory Committee, a brief description of UKAS and also a letter from the NFU in order to clarify their position and recognition of support for LEAF Marque.

We remain concerned about the recommendation from Defra to develop an environmental label. We do, however, welcome the opportunity to work with Defra to build the understanding and value of the current farm assurance schemes, not only among the industry but also among consumers.

25 January 2008

LEAF MARQUE TECHNICAL ADVISORY GROUP

This group meets at least three times a year to discuss the standards. The standards are freely available on the LEAF website www.leafmarque.com in English, French and Spanish.

Representation on this committee includes:

LEAF, Farmers and Growers, Natural England, UKAS, Waitrose, CMI certification Ltd, RSPB, Defra, National Britannia Certification, FEC Services, Defra, Bayer Crop Science, EFIS, SFQC, AERU, University of Hertfordshire, FWAG, PAI Ltd, Environment Agency, Freedom Foods Ltd, WWF.

The LEAF Marque Technical Advisory Committee reports to the LEAF Marque Management group. This group includes representation from:

LEAF, Marks and Spencer, Assured Food Standards, Farmers and growers, Imperial, Bakkavor Ltd, Harper Adams University College, EverySite, Taste of the West, Waitrose, WWFU.

UKAS SUMMARY

UKAS is the sole national accreditation body recognised by government to assess, against internationally agreed standards, organisations that provide certification, testing, inspection and calibration services. Accreditation by UKAS demonstrates the competence, impartiality and performance capability of these evaluators.

Accreditation by UKAS is the key to ensuring that consumers, suppliers, purchasers and specifiers can have confidence in the quality of goods and in the provision of services throughout the supply chain.

UKAS is a non-profit-distributing company, limited by guarantee, and operates under a Memorandum of Understanding (MoU) with Government. The MoU was originally signed following the setting up of UKAS in 1995, but Appendix 1 is regularly reviewed and updated to cover the activities to which the recognition applies. These activities are normally described through reference to specific International, European or British standards.

Accreditation by the United Kingdom Accreditation Service (UKAS) is the key to ensuring that consumers, suppliers, purchasers and specifiers can have confidence in the quality of goods and in the provision of services throughout the supply chain.

The recognition that this MoU provides demonstrates the national recognition that UKAS enjoys, which is essential for membership of the European co-operation for Accreditation (EA) and the international associations of national accreditation bodies.

The certification bodies which are accredited to EN45011- General requirements for bodies operating product certification systems by UKAS which certify eligible schemes under this measure are listed below:

- CMi certification Limited.
- National Britannia certification Limited.
- Product Authentication Inspectorate Limited (trading as Product Authentication International).
- SAI Global Assurance Services Limited trading as EFSIS.
- Scottish Food Quality Certification Limited.

Independence of the inspection bodies

The EN45011 standard provides assurance of the independence of the inspection body, through UKAS accreditation, as required by Article 32(1)(b). The main principles UKAS adheres to in providing assurances to national and internationally recognised standards are independence, third party check of standards and written procedures. Consequently, the organisations which own the quality assurance schemes (ie the standard setting bodies) must be separate from the inspection bodies.

Responding to market opportunities

Standard setting committees are a common feature of quality assurance schemes. They provide a mechanism to keep the standards under review. The aim of such reviews is to ensure the scheme continues to reflect new industry and consumer concerns in a changing marketplace. New standards may consequently be added or existing standards increased in scope and/or stringency. This mechanism also ensures that new legislation is incorporated in the future.

EAC ENVIRONMENTAL LABELLING SUB COMMITTEE—FROM THE PRESIDENT OF THE NFU

Thank you for your letter attaching the transcript of the oral evidence, which Robin Tapper and I recently gave to the Environmental Audit Sub Committee on Environmental Labelling.

I assume that this was in response to the *Farming Today* report (10 January 2008) on the findings of the Sub Committee and importantly your evidence to it. Certainly from the NFU perspective, the transcript of our evidence is accurate and, on re-reading it, I believe that we have been totally supportive of the aims of LEAF to the point that it was stated that we “in fact encourage it”.

I share your concerns about the ideas of a Defra inspired marque which is ill conceived, unnecessary and does nothing to enhance the consumer offer beyond that offered by existing schemes. We did not support this concept at the hearing. Indeed, we have been working hard to convince Defra to drop it.

As we have discussed previously, the NFU take its environmental responsibilities very seriously. This is why we are keen to work with LEAF and where possible promote its good work. Naturally therefore we fully recognise and accept the value which the LEAF Marque brings in improving environmental awareness and standards primarily in the produce sector. We also recognise that the LEAF Marque is regularly reviewed, amended and independently inspected. Importantly, as compared to Defra/BSI's ideas it is also market driven, and farmers will only participate if they want to and/or they get market reward.

The NFU's primary aim must be to maximise opportunities for its members. To this end, the Red Tractor is vitally important as a way of differentiating ourselves in the market place. Moreover, it has to be accepted that no other agricultural assurance scheme has the universality and infrastructure of the Red Tractor and, with the exception of the Lion scheme for eggs, greater consumer recognition.

I am also very conscious that you have not received our draft NFU/LEAF protocol. Richard and I are still finalising this and it should be with you shortly. Please accept my apologies for the delay.

17 January 2008

Memorandum by the Society of Motor Manufacturers and Traders (SMMT) Ltd

INTRODUCTION

The Society of Motor Manufacturers and Traders (SMMT) is the leading trade association for the UK automotive industry, providing expert advice and information to its members as well as to external organisations. It represents more than 500 member companies ranging from vehicle manufacturers, component and material suppliers to power train providers and design engineers. The motor industry is a crucial sector of the UK economy, generating a manufacturing turnover of £47 billion, contributing well over 10% of the UK's total exports and supporting around 800,000 jobs.

The SMMT welcomes the opportunity to contribute to the EAC inquiry on Environmental labelling. The automotive industry acknowledges the importance of environmental protection in relation to the manufacture and use of its products and recognises the need to balance economic progress with environmental care and social responsibility. More particularly, vehicle manufacturers are committed to the provision of simple, clear environmental information to assist the consumer in making an informed choice.

COMMENTS

Products requiring labelling

1. As early as 1 December 1999, the SMMT launched an industry-wide environmental label for new cars, thus underpinning the strategy of the industry in gaining full commitment to its targets to reducing carbon dioxide (CO₂) levels of new passenger cars. Under this voluntary initiative environmental labels were on display at franchised dealerships throughout the UK to provide better and more consistent information for customers on the environmental performance of new cars.

2. In January 2000 the European Commission adopted Directive 1999/94/EC relating to the availability of consumer information on fuel economy and CO₂ emissions in respect of the marketing of new passenger cars to implement these plans through regulations on environmental labelling of vehicles. The SMMT participated in the development of UK regulations implementing EU Directive 1999/94/EC.

3. A new colour-coded environment label for all new cars began appearing in UK car showrooms from July 2005, with most vehicle manufacturers having adopted the new label from 1 September 2005. The colour coded banding system for the label took into consideration the 6 Vehicle Excise Duty (VED) bandings, from "A to F". A new band "G" was introduced last year to reflect the 2006 Budget tax changes to VED.

What should be shown under a labelling scheme

4. Each category of product will require a label that contains information that enables consumers to make comparisons between similar products.

5. The success of the car label owes to a very careful consideration of the information provided, on the one hand, and to intuitive and user-friendly design on the other. The UK automotive industry has gone beyond the labelling requirements set at European level by Directive 1999/94/EC relating to the availability of consumer information on fuel economy and CO₂ emissions in respect of the marketing of new passenger cars. Whereas the directive only requires the fuel economy label to contain consumer information regarding the official fuel consumption and the official specific emissions of CO₂ of the car to which the label is attached, the UK label lists the environmental data for new cars including CO₂ emissions and noise levels, regulated emissions standards, fuel consumption figures and annual road tax costs. The automotive industry believes that information on those elements is essential for potential car-buyers.

6. Clarity regarding the information displayed in the VED section was a concern for the industry since the inception of the environmental labelling scheme. When studying the different format options for the label back in 2004, the VED system had six bands, whereas the consumer "white goods" label, in which we based our initial design, had seven bands and popularly known as the "A to G" label. SMMT discussed then

the advantages of adding an additional band to the VED system to make a seventh band, to follow the lines of the an already familiar energy efficiency label, *vis-à-vis* keeping the “A” to “F” in line with the then existing 6-band VED system.

7. Finally the changes in the VED introduced in the 2006 Budget, improved the consistency of the labelling scheme by allowing the direct alignment of the VED bands with the equivalent bands of the A-G model. The gradations on the label are consistent with the CO₂ bandings used for the VED hence, increasing its significance to consumers. This, at the same time, has reinforced the message given through the tax regime: lower carbon emissions = lower road tax.

8. The car label provides a guide to the relative fuel economy of the car in different driving conditions (Urban/Extra-urban/Combined cycle) and an estimated annual fuel costs based on the fuel consumption for the combined cycle driving conditions and an average fuel cost per litre. Details on how the estimated figure is obtained can be found immediately below in the label itself. Finally, the vehicle’s engine capacity (cc) and transmission type are also shown because of its ability to affect its CO₂ output. Most models offer a range of engines that vary in fuel efficiency and CO₂ emissions.

Rationalising of labels

9. From our experience with the car environmental label, we believe a number of overarching conclusions can be drawn. The car label mirrors labels available for white goods, with which consumers are already familiar. The use of a standard label format ensures that the information is easy to understand and that comparisons between models/products are simple and accurate.

10. The colour scheme—from green to red through yellow/orange—incorporated with the traditional bar chart has proven to be immediately recognisable to customers. It provides clear and easy to understand information about the relative performance of the product.

11. As stated in the previous section, flexibility for the inclusion of additional environmental information might be desirable providing that it is not confusing for the consumer. However, it is questionable whether consumers can actually absorb a wealth of information, even when this is not confusing.

12. A labelling scheme agreed between Government and industry on a voluntary basis will ensure that products are labelled in a consistent manner, preventing a profusion of labels that might lead to contradictions and ultimately to consumer confusion.

13. Developments taking place at a European level might, ultimately, pave the way to regulations reflect the format of the existing label, as familiarisation with a standardised approach is important in developing consumer understanding.

Impact of environmental labelling on consumer behaviour

14. The car label is a very important part of the drive to better consumer education. Recent market surveys have ascertained its role as a valuable source of information and awareness rising of CO₂ emissions in car buying habits. According to market surveys carried out on behalf of the LowCVP between March and April 2006, 83% of those surveyed said that they considered the label an important source of information and nearly two-thirds (65%) said it was important to them in helping them decide which make and model of car to buy. The survey showed that consumer awareness of the new label was highest amongst those who have recently bought a new car (42%) and slightly lower amongst those intending to buy a new car soon (38%).

15. Current and future regulatory developments in the field of green taxation are likely to have a significant effect on motoring costs. Therefore, information about emissions and VED/tax band payments can be expected to be high up in car buyers’ priorities when thinking about which make and model of car to buy. In sum, environmental labels will become even more useful in the years to come.

16. Meanwhile, it is clear that the training and awareness of showroom sales staff is necessary to facilitate consumer assimilation of the labelling system and ultimately help them to make an informed decision when purchasing a vehicle. Display materials and leaflets have also proven to be effective to promote the label and draw attention to its merits. The SMMT in co-operation with the Low Carbon Vehicle Partnership, the VCA and the DfT has produced a simple and visual leaflet designed to support and inform on the introduction of the fuel economy label. Initiatives such as the one undertaken by Defra, *A Shopper’s Guide to Green Labels* (a guide that explains the logos and labels commonly found on UK products an effort to help consumers understand what various green labels mean) serve this purpose, whilst it can also prove useful as a starting point towards the rationalisation of the labelling system.

Figure 1

ENERGY LABEL FOR WHITE GOODS

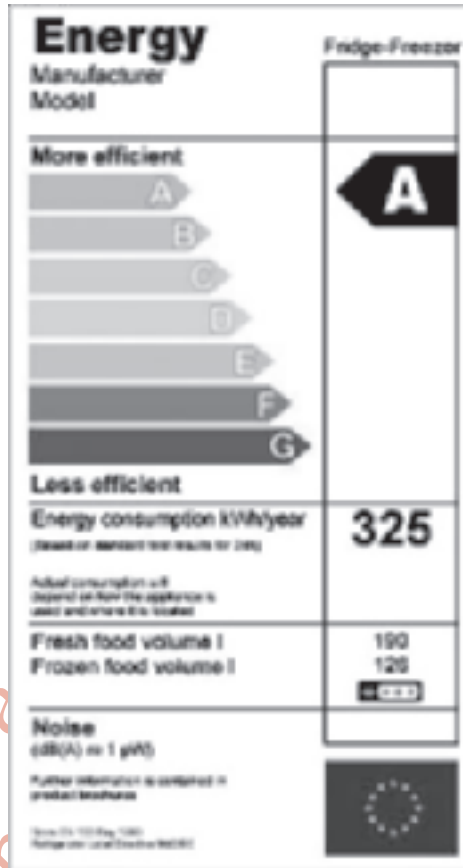


Figure 2

VEHICLE FUEL ECONOMY LABEL



Please see link below for guidance notes leaflet on the Colour coded fuel economy label.
<http://smtlib.findlay.co.uk/articles/sharedfolder/Publications/Green%20label%20May%202006.pdf>

Memorandum submitted by Low Carbon Vehicle Partnership

EXECUTIVE SUMMARY

The introduction of car labelling in the UK is based upon the EU Directive 99/94/EC, relating to “Consumer information on fuel economy and CO₂ emissions in respect of the marketing of new passenger cars” which was introduced in 2001. The UK initially introduced a labelling scheme which met the minimum requirements of the Directive and was focused on the provision of data. In 2004, a Government review of the labelling scheme highlighted poor consumer understanding and use of the numerical data which led to the redesign and launch of a voluntary new “colour-coded” car fuel efficiency label, the introduction of which was brokered by the LowCVP, in 2005.

The key aspect of the label is that it is based upon an absolute measure of CO₂ of the vehicle relative to the whole market rather than within a class of vehicles. The label adopts features of the previously existing energy efficiency label for white goods, which aided recognition and understanding by consumers. Bands are linked to those for vehicle excise duty. Fuel efficiency and running costs are reported to be more important issues for car buyers and so the label gives significant weight to this data along with CO₂ emissions.

The scheme is voluntary and uptake is still rising having been adopted by 86% of new car dealerships in a recent survey. It is questionable whether there would be a greater level of compliance if the label was mandated.

Awareness of the label by car buyers is growing: in 2007, 44% of those who had either purchased a new car in the last year or who were intending to purchase one in the coming year were aware of the label. This is up 4% from 2006.

There is also evidence that car buyers would find more comparative data useful in making new car purchasing decisions—information now provided by a range of web-tools including the DfT *Act on CO₂* site.

INTRODUCTION

This submission has been prepared by the Low Carbon Vehicle Partnership (LowCVP) in response to the Environmental Audit Committee’s request for evidence regarding the proliferation of environmental labels and whether this might lead to consumer confusion, and undermine confidence in environmental labelling in general.

The submission is based upon the LowCVP’s experience in brokering the UK’s recently introduced new car fuel economy label with the motor industry and our experience of monitoring the label’s roll-out and its impact on car buyers’ awareness of the label and environmental issues more generally.

The Low Carbon Vehicle Partnership

The LowCVP was established in 2003, as an outcome of the Powering Future Vehicles Strategy, to help accelerate the shift to low carbon vehicles and fuels in the UK. It aims to help deliver carbon reduction targets and give commercial advantage to UK business. The Partnership is a multi-stakeholder forum with 265 members including many leading car manufacturers and fuel suppliers, major fleet operators, environmental and consumer groups, academics and government departments.

The Partnership undertakes activities to both encourage the supply and raise demand for low carbon vehicles and fuels. This includes providing guidance on the priorities to stimulate market development. Some of our recent key achievements and principal current activities include:

- Brokering a voluntary agreement with the UK motor industry to introduce colour-coded fuel economy labels in all new car showrooms. On-going studies are evaluating the effectiveness of the label through research into dealer and consumer attitudes and implementation rates.
- Input to the development of the Renewable Transport Fuels Obligation—focussed on the development of sustainability assurance and carbon certification.
- Oversight of the establishment of Cenex, a public-private centre of excellence for low carbon and fuel cell technologies. The LowCVP is represented on the Board of the company.
- The LowCVP Road Transport Challenge, a process initiated by the Partnership to bring forward innovative proposals for delivering carbon reductions from the road transport sector. The best entries were presented at a conference in June 2006.

An important role of the LowCVP is to review and advise in an independent and constructive way on the various programmes and schemes run by Government to highlight policy gaps and help ensure a coherent suite of interventions to achieve market transformation.

History

In the UK, it has been a legal requirement for fuel consumption information to be displayed on new cars in car showrooms since 1983. In addition comparative data on other makes and models is made available to potential car buyers based upon the models listed in the official guide produced by the Vehicle Certification Agency (VCA).

In December 1999, the European Commission approved Directive 99/94/EC, relating to “Consumer information on fuel economy and CO₂ emissions in respect of the marketing of new passenger cars” and this came into force on 18 January 2001. This Directive was part of a trio of policy approaches, which includes fiscal measures, and an agreement by the motor manufacturers in Europe, to reduce emissions of carbon dioxide by technical improvements to new cars. The Directive 99/94/EC allows each Member State to introduce its own schemes to provide consumer information which can include labels, guides and posters. The Directive specifies a minimum amount of information that is required to be displayed based on test cycle information.

As part of the UK Government’s response to the Directive it commissioned MORI to examine car buyers’ response to both the existing UK label and possible alternative labels. The MORI research considered the effectiveness of the original new car fuel efficiency label, the extent to which purchasing decisions were affected by information on CO₂ emissions and by other considerations such as fuel efficiency, and possible alternative formats for the label, including an “A–F” style colour-coded label. The main findings from the study were that:

- Although awareness is growing, environmental factors are not yet high in most car buyers’ list of priorities.
- Fuel efficiency is much more important to most car buyers than any consideration about emissions, reflecting the financial impact driving has on households. However, car owners’ focus on fuel efficiency can be used to help achieve the environmental objective because of the direct link between fuel efficiency and carbon dioxide emissions.
- In design of any possible labelling scheme significant emphasis should be given to fuel economy and running costs.
- That there was a desire for comparative data to allow car buyers to identify more fuel efficient and lower-carbon cars easily.
- The UK’s original new car fuel efficiency label was not popular with car buyers, mainly because it only provided numerical information, and emphasised the car’s CO₂ emissions per kilometre which was seen as a technical measure and was poorly understood by car buyers.
- The A–F format, now familiar to consumers from other consumer goods, provided a better means of relaying information on car economy than the numerical data in use.

In response to this study (and LowCVP commissioned research into car buying attitudes and behaviour)³¹ the LowCVP proposed the introduction of an A–F colour-coded label to be displayed on all new cars in showrooms. Following intense negotiations, under the auspices of LowCVP, between vehicle manufacturers (through the SMMT) and environmental, consumer groups and fleet organisations a voluntary agreement was reached on the design and deployment of a label.

Label design

In negotiating the design of the label there were two broad options: an absolute display comparing the performance of all cars or comparative display of vehicles within a class or segment system. An absolute approach was preferred because it:

- More appropriately complemented the Voluntary Agreement car companies had adopted to reduce new car CO₂ emissions to 140g/km by 2008–09.
- Related most directly to the Community’s objective of reducing CO₂ emissions from cars.
- Was simple and easy for dealers operate and for consumers to understand.
- Avoided the arbitrary and contentious issues of defining the categories for an “in class” system and all the related issues.
- Provided the most direct link with, and helped reinforce the messages from, fiscal measures which are linked to CO₂ emissions, such as those used in the UK.
- Avoids the situation where an efficient car but with high fuel consumption could appear as “red” in terms of the fiscal system (VED), but “green” on an “in class” labelling system—a mixed message being conveyed to car buyers.

³¹ [http://www.lowcvp.org.uk/assets/reports/LowCVP%20car-buyer%20report%20-%20final%20report%20\(non%20confidential\).pdf](http://www.lowcvp.org.uk/assets/reports/LowCVP%20car-buyer%20report%20-%20final%20report%20(non%20confidential).pdf)

It was recognised that most car buyers selected a vehicle from within a group of cars of a particular size (market segment) but that there was sufficient variation in CO₂ emissions within a class or segment for an absolute measure to provide useful comparative information for the car buyer. The need for comparative information has been addressed recently by the DfT *Act on CO₂* campaign and introduction of league tables for vehicle segments amongst other web tools and consumer information.

The label was launched in Guildford in July 2005. The banding adopted by the label employed the Vehicle Excise Duty (VED) bands to provide a clear link between (albeit limited) fiscal incentives and consumer information. A revision of the VED bands to include Band G (vehicles over 225 g/km) necessitated a redesign of the label in 2006.

The label also provided information on the annual cost of fuel (for 12,000 miles) and VED as these were known to be more important factors influencing car buyer behaviour than environmental performance.

The lower part of the label contained the statutory information required by the Directive to enable the label to meet both consumer and legislative needs.

Implementation of the label is voluntary by an agreement that it should be displayed in all car showrooms of franchised SMMT dealers ensures its use is widespread. An agreement between LowCVP and SMMT has defined an acceptable level of performance that 75% of new cars on display in a car showroom at any time should have the correct label displayed on or next to the vehicle. This takes account of vehicles entering and leaving the showroom. This target is currently subject to review.

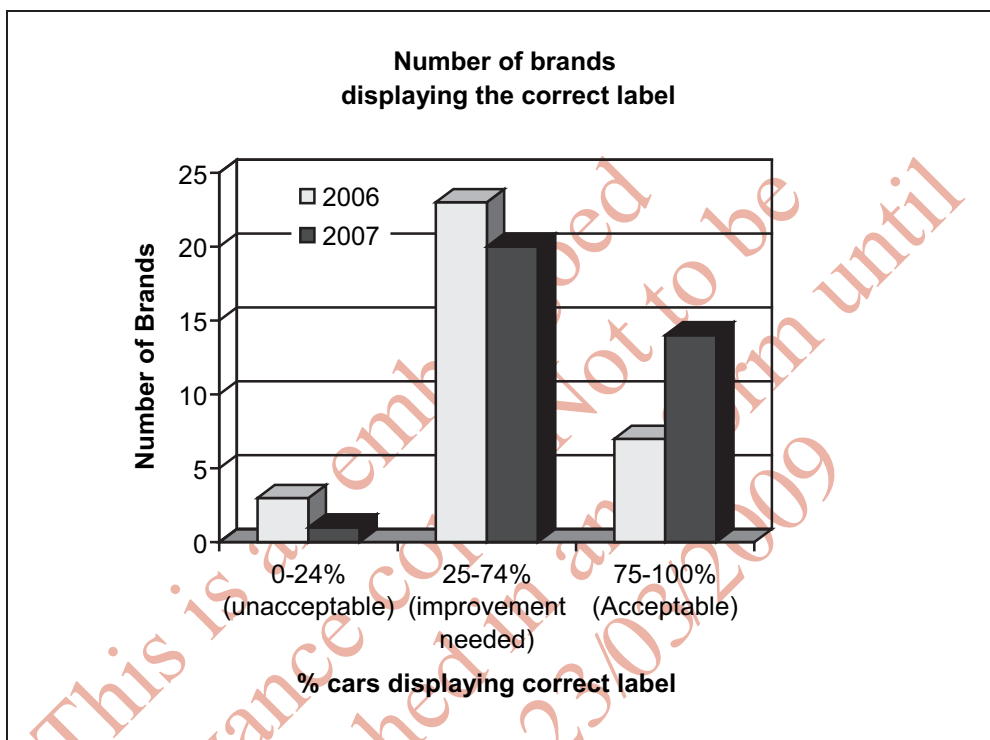
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advance copy. Not to be
published in any form until
00:01 on 23/03/2009

<h2>Fuel Economy</h2>		Low Carbon Car												
<p>CO₂ emission figure (g/km)</p>														
<p>Fuel cost (estimated) for 12,000 miles <small>A fuel cost figure indicates to the consumer a guide fuel price for comparison purposes. This figure is calculated by using the combined drive cycle (town centre and motorway) and average fuel price. Re-calculated annually, the current cost per litre is as follows – petrol 90p, diesel 94p and LFO 90p. (VCA May 2005).</small></p>		<p>£662</p>												
<p>VED for 12 months <small>Vehicle excise duty (VED) or road tax varies according to the CO₂ emissions and fuel type of the vehicle.</small></p>		<p>£50</p>												
<p>Environmental Information</p> <p>A guide on fuel economy and CO₂ emissions which contains data for all new passenger car models is available at any point of sale free of charge. In addition to the fuel efficiency of a car, driving behaviour as well as other non-technical factors play a role in determining a car's fuel consumption and CO₂ emissions. CO₂ is the main greenhouse gas responsible for global warming.</p>														
<p>Make/Model: Low Carbon Car</p>		<p>Engine Capacity (cc): 1399</p>												
<p>Fuel Type: Diesel</p>		<p>Transmission: 5 speed manual</p>												
<p>Fuel Consumption:</p> <table border="1"> <thead> <tr> <th>Drive cycle</th> <th>Litres/100km</th> <th>Mpg</th> </tr> </thead> <tbody> <tr> <td>Urban</td> <td>5.4</td> <td>52.3</td> </tr> <tr> <td>Extra-urban</td> <td>3.8</td> <td>74.2</td> </tr> <tr> <td>Combined</td> <td>4.4</td> <td>64.2</td> </tr> </tbody> </table>			Drive cycle	Litres/100km	Mpg	Urban	5.4	52.3	Extra-urban	3.8	74.2	Combined	4.4	64.2
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<p>Carbon dioxide emissions (g/km): 117 g/km Important note: Some specifications of this make/model may have lower CO₂ emissions than this. Check with your dealer.</p>														

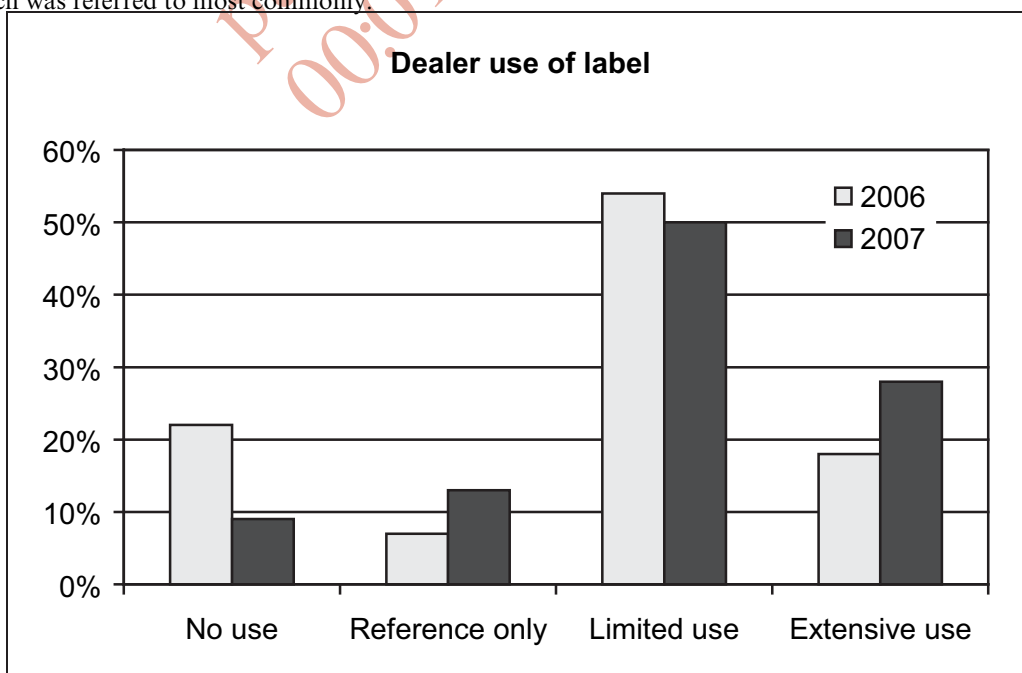
Deploying the label

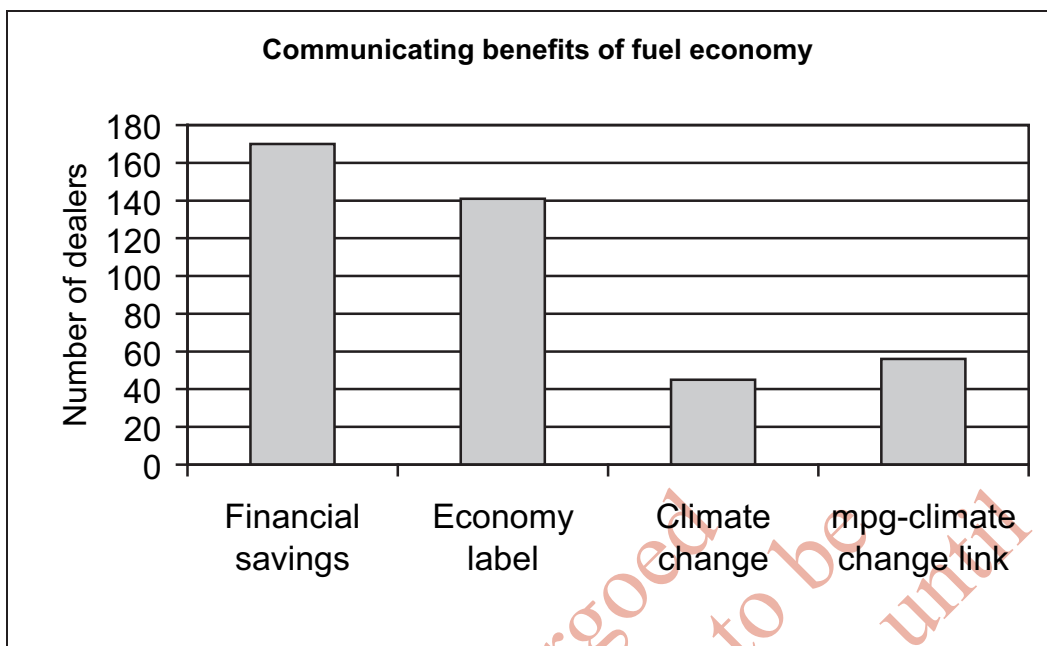
Since the label’s launch, LowCVP has conducted annual surveys to determine the extent to which the label has been rolled out and is displayed in car showrooms and the levels of awareness of car buyers. Two annual surveys to monitor the deployment of the label across the UK were undertaken in the Spring of 2006 and of 2007, in each case 400 new car dealerships were visited across the UK.

In 2007, 86% of new car dealerships had adopted the voluntary label scheme, up from 74% in 2006. Of the car dealerships which have adopted the labelling scheme 62% are meeting the target for acceptable performance. Fourteen brands have car dealerships which are, overall, achieving the acceptable measure of performance, four of these have achieved this level of performance for two consecutive years. A small, and declining, number of brands have an “unacceptable” level of performance.



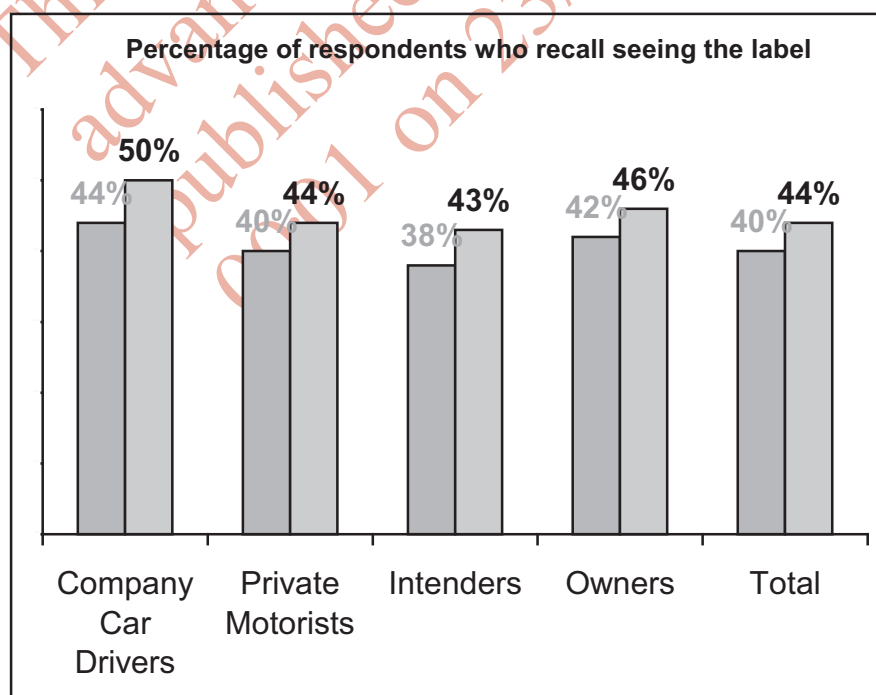
The survey also examined how the label was used by the car dealer staff in discussions with potential car buyers. In the last survey LowCVP found that the label was referred to and used extensively in a sales pitch by 28% of sales staff once it was revealed that fuel consumption was important to the potential car buyer. With regard to the information displayed on the label it was the financial and fuel economy information which was referred to most commonly.





Impact on car buyer behaviour

In a separate survey of about 2,000 recent and prospective car buyers, awareness of the label has increased to 44% in 2007, up 4% points from the previous year. Awareness is greater amongst people who have purchased a car recently rather than those who intend to purchase in the next 12 months. In addition awareness amongst company car drivers is higher which reflects the greater financial incentives, through company car taxation, for company car drivers to select a low CO₂ car.



When asked how important the car label was in terms of helping car buyers to choose their car 70% of respondents said it was important in helping them to choose the make and model of their car, with 50% saying it was fairly important and 20% very important. However 85% of respondents said that comparative fuel economy information would be important in influencing their decision.

Next steps

The results of annual surveys are widely disseminated and detailed results fed back to car manufacturers through SMMT. This process is proving an effective means to raise use of the label and identify issues.

LowCVP will continue to monitor deployment and awareness of the label on an annual basis. We are also examining, with DfT and the Retail Motor Industry Federation, the potential to extend the scheme to nearly new vehicles.

The scheme shows a voluntary approach can be successful, but does take a few years to reach a high level of deployment. Success is also dependent upon a strong trade body to encourage its members to comply with the voluntary agreement.

October 2007

Witnesses: **Mr Simon Barnes**, Technical Manager, SMMT Environment Team, **Mr Greg Archer**, Director, Low Carbon Vehicle Partnership, and **Mr Jonathan Murray**, Deputy Director, Low Carbon Vehicle Partnership, gave evidence.

Q264 Chairman: Good afternoon, and thank you for being so patient. We have caught up a little bit in time but I am told that there may be another division shortly, so we will just have to take it as far as we can and perhaps, depending on the timing of that, come back. Can I start off by asking you why the UK fuel economy label goes over and above what is required by the EU directive; what was seen to be the value of that?

Mr Archer: Thank you for your question and thank you for inviting us today. Perhaps I can very briefly say that the Low Carbon Vehicle Partnership brings together the motor industry with the oil industry with Government and environmental groups to promote the shift to low carbon vehicles and fuels; Jonathan Murray is my deputy director, I am director. Simon Barnes is from the SMMT but he is also chair of our passenger cars working group, so we work very closely together on these issues. The simple answer to your question is that the research that was done back in 2003 showed that people did not understand the statutory information which the European directive required, there was a very poor level of understanding of that. It was presented in quite a complex form, it was purely numerical, and the work that the Department for Transport did, undertaken by MORI, simply showed that it was not well understood, and what we wanted to do was to try to provide some readily understandable information which could start to change public attitudes or certainly raise public awareness of the difference in fuel economy between different vehicles. We did that through developing a colour-coded scheme, which is very familiar to consumers through white goods, but applying it to vehicles. At the same time the European Union was looking at bringing in regulation on extending its regulations on vehicle labelling and we felt that there was a case there for the UK to really demonstrate best practice and try to set a standard in Europe; in fact the European standard has not been revised since but a number of countries have adopted a UK-type approach.

Q265 Chairman: Since the introduction of the label about two years ago, have you witnessed any impact on consumer behaviour?

Mr Murray: Yes, looking at the impact of the labelling is complex and it is difficult to ascertain what is the effect of the label; however, what is quite clear is that it has been a significant source of information for car buyers. We conduct an annual survey of car buyers' attitudes, along with a survey of the rolling out of the label. The annual survey of car buyers attitudes is conducted by GFK on our behalf and is of approximately 2000 recent or prospective car buyers. The latest survey showed that 44 per cent of car buyers were aware of the label and recognised the label, which is an increase of four percentage points on the previous year. In addition to that, when you actually look at the types of car buyers, what is quite clear is that company car buyers who are more exposed to the impact of choice on CO₂ of their car in terms of the tax that they pay are more aware of the label as well, their awareness was up to 50 per cent, and this goes along with the fact that the car dealership and the point of sale is still the primary source for the vast majority of people in looking for information and choosing the car, so we are providing accessible information in the right location to help them and providing a direct link between the CO₂, the cost in fuel consumption and the tax burden they will pay. In terms of what that has done to purchasing patterns, we have seen a slow but sustained reduction in average CO₂ emissions from cars purchased in the UK. The latest figure which was just announced by the SMMT was a 1.4 per cent reduction on the previous year to 164.9 grammes per kilometre.

Mr Archer: It is important to recognise that environmental information does not necessarily or indeed very rarely drives people to make an environmental choice. Environmental information is an important precursor, it encourages them to make the right decision but in terms of actually making that decision there is always a gap between their awareness of an issue and their willingness to make the environmental purchase; it is essentially the attitude/action gap where you know what you ought to do but you do not actually do it. What we are finding with labelling schemes is that it makes people more receptive to change their behaviour but it does not necessarily change their behaviour, and you need other drivers to actually bridge that gap. Those other incentives are about educating people,

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making low carbon vehicles more desirable, increasing the benefits of buying a low carbon vehicle and so forth and expanding the choice of vehicles that is available.

Q266 Chairman: I certainly take the point about the environmental aspect of this and the evidence from MORI suggests that people use the labels for pure fuel economy judgments in the main rather than carbon emissions information which people may not understand. It did amuse me that when these labels came in in 2005, underneath the Secretary of State for Transport's office in Marsham Street was a BMW showroom and all the cars were G-rated. That is a choice that people make when they can afford to buy such a car, so do we have to go a bit beyond labelling or do we have to make the labelling somehow stronger so that there is this aspect which I think is now attached to four-wheel drives, that if you are seen driving one it is not quite cool any more.

Mr Barnes: We had a big discussion when we introduced the label, if I may, about how it should be introduced, whether it should be relative to the car or what we call an absolute label, and we felt that the most obvious link was to create the link to the excise duty bands, which are established by the government and reviewed on a regular basis. Since then we have had an additional band put into that label, it was A to F and it is now A to G, we changed the label to reflect that, and obviously there has been a revision in the amount of annual payment for each band, so there is a direct relationship there between the new story on VED and the band that you see in the showroom. We believe that as distinct to other labels, which talk about relative performance, linking it to the fiscal system is the strongest possible link and the industry very much supports that link to the fiscal system, so that there is a clear understanding between the VED and the label in the showroom. There is a stronger link with company car drivers and that is reflected in their greater awareness because the amount they pay in their monthly tax bill is stronger, but we believe even now the consumer is starting to realise and we hear conversations about G-band cars, A-band cars, E-band cars. We did not hear that back in 2003.

Mr Archer: Labelling is a tool in the box, it helps the consumer to understand the differences between different vehicles. Many consumers still think that all average family-size cars have the same emissions or have the same fuel economy. They do not understand that there are very wide differences between them and, by providing this information, you are helping to get that message across but you do not change attitudes and behaviours overnight by labelling, it requires much more significant incentives and other things.

Q267 Chairman: The motor industry, the last I read, spends about £800 million a year on advertising; why should the label be confined only to the showroom, why should the label as it were not be given more prominence in advertising? At the moment you need a magnifying glass to read information in six-point

type about carbon emissions, for example, there is no prominence at all; you almost sense that they do not want you to read it.

Mr Barnes: There are regulations on advertising. They are European-based, they come out of the European directive and the VCA gives very clear guidance on how those rules should be interpreted and the VCA is now actively monitoring those ads for compliance. We are in discussion with the Low Carbon Vehicle Partnership and we are waiting also for a more than likely revised regulation from the Commission this year on how that information can be made visually stronger in terms of the products. As an industry ourselves we are discussing how we can do that by making the label more obvious. We have an issue in that if you advertise a car like a Renault Clio, for example, the CO₂ on that product can go from something like 106 grammes per kilometre to 250 for what visually might appear to be the same car, so it is important that whatever labelling we decide upon the consumer understands and can still make the right choice. We also support campaigns like Act on CO₂ from the DfT where the consumers can go there and they can go to the VCA website and find out far more information about the specific product that they are interested in.

Q268 Chairman: You would not favour the tobacco advertising type of thing, with half of the cover space filled with a global health warning written by the Government's chief scientist?

Mr Barnes: We would not favour that as an industry, no, because we believe that there are other issues about the sustainability of our products, there is also a safety issue and an air quality issue, and at the end of the day the emissions from the car depend on how you drive it, how far you drive it, how you service it, not entirely the product itself although that is of paramount importance obviously.

Mr Archer: There are ways, however, in which you can extend the use of a label or a labelling type scheme into billboard advertising and other forms of advertising and, as Simon says, that is something we have started to look at and it is something that Europe is starting to look at as well, so it is coming, but obviously there is a range of views as to how that should be done and the way that that should be done.

Q269 Joan Walley: Arising out of that point, I remember going to the Society of Motor Manufacturers about 20 years ago when I was in another incarnation, talking about removing lead from petrol, and I seem to remember that it was only actually in getting the regulation that moved the Society on into actually removing lead from petrol. I just wonder how much of the same sort of issue there is now in this in terms of how much you wait to follow the trend or how much the trend is determined by the level of the regulations there are which will take the design and production of your vehicles more down this route. I would just be interested in your comments; what does it have to do to actually get the right balance, to actually get action to be made?

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Mr Archer: In fairness to the SMMT they have been enormously proactive in trying to take forward debate about strengthening vehicle advertising codes of practice in general. They have started a debate with the industry associations in the advertising sector and they are really to be credited for doing that; they have started a process and are working with other stakeholders to look at how we can strengthen overall advertising practices. Simon can say more, but in support of what they are doing they have been proactive in this area.

Q270 Joan Walley: Going back to a point which the Chairman made in respect of the vehicles that were on sale underneath the DfT offices, can you just tell us in terms of your membership of the Low Carbon Vehicle Partnership are there any major manufacturers who are not members and, for example, is TATA a member of your group?

Mr Archer: I do not think TATA are presently members, but I would hope that TATA will be joining in the near future. Certainly, that particular company beneath Great Minster House is a member, and the other thing you would find if you walked around that showroom is that every one of the vehicles in that showroom would have been labelled, even though they were all G-band. That has been a feature actually of the labelling scheme, in that irrespective of the emissions of the vehicle it has tended to be that more of the higher emitting vehicles than in fact the lower emitting vehicles in its showroom are labelled, so there is no tendency for people with poor performance not to label their cars, in fact the opposite applies.

Q271 Joan Walley: Just talking about showrooms leads me on to wanting to ask you about the voluntary nature of the scheme at the moment; with 86% of new car dealerships adopting the label why is it not compulsory?

Mr Archer: It is compulsory to display the statutory European information, it is not mandatory to display the colour-coded label and the cost information which is the part of the label that we developed. What we find from our surveys is that where people are not displaying the label, they are not displaying any information—in other words they are not complying with the regulation and they are not complying with their trading standards requirements.

Q272 Joan Walley: Sorry, which regulation?

Mr Archer: The European regulation which has been translated into UK law, so the issue is with people complying with the regulation, it is not with people not labelling their vehicles according to the voluntary scheme. What we need to see is every vehicle in every showroom being labelled; if that happened the overwhelming majority of showrooms would choose to adopt the voluntary colour-coded approach.

Q273 Joan Walley: That is a matter for trading standards officers.

Mr Archer: Yes.

Q274 Joan Walley: Are they not doing it or do they not have the resources to do it, or have you had talks with them about how to do it?

Mr Barnes: It is a combination of resources and time and there is a regional performance aspect to some of this as well. We can only assume that that is to some extent a reflection on the resources of trading standards. When we designed the label we co-operated fully with the LowCVP and with trading standards to raise awareness because we were conscious that their officers would need to know what the label would look like, so we briefed them fully and they are aware of that. We have, I think, seen increasing activity from trading standards in this area; as the labels awareness increases, as we see it in other areas such as on websites, then inevitably the policing from them is increasing.

Q275 Joan Walley: Moving away from the regulation and coming to the label as a voluntary scheme, in respect of the 14 per cent of dealers who are not adopting the labels, do you know why they are choosing not to do so and how are you going to encourage them to join in?

Mr Archer: Each year we feed back the results of our survey to SMMT in detail, in other words the showrooms we visited and how many cars were labelled, and how the dealer responded to questions about the label. The SMMT then discussed those with each of the individual manufacturers who were then able to take them back and discuss them with each of their own showrooms, so we have to very proactively make sure that the information from the survey in detail goes back to the SMMT so that their individual members can talk to their dealerships, and it is through that process that we are driving up the level of cars being labelled year on year.

Mr Barnes: I would reiterate that. We feed that information back to manufacturers on a dealership by dealership basis so that they can see some gaps. Those gaps are not always obvious; sometimes nine out of ten dealers will perform and for some reason one will not, so we feed that information back and we hope to make it more of a competitive element. The partnership certainly rewards those and puts that up as evidence of those who are doing well and we write to the ones that are not doing well and ask them how they are going to improve their performance.

Q276 Joan Walley: Moving on, the label only applies to new cars; it does not apply to second hand vehicles. Could it, should it, when will it, how will it?

Mr Barnes: We are in discussions with both the LowCVP and the Retail Motor Industry Federation on this particular issue. There are a number of practicalities associated with that and one of them is defining what a nearly new vehicle is, is it five years old, two years old, ten years old and we have to make a decision around that. The other practical issue is establishing a database of information because at the moment we are only talking about new cars and so that is relatively straightforward; if we extend that

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to old cars then we will be reliant on the VCA in particular to have a database that is available to dealerships for that information. Potentially there is an issue that once a car has been bought and someone changes the tyres or the wheels, technically they may change its CO₂ rating. I personally do not see that as an issue, but if someone wanted to argue a point of law on that as an individual then they may be able to do so. So there are a lot of issues to resolve here that need further discussion.

Q277 Joan Walley: What sort of machinery have you got for resolving those outstanding issues?

Mr Barnes: Through discussions with the LowCVP and the Retail Motor Industry Federation.

Q278 Joan Walley: Who is driving this agenda, are you driving it?

Mr Archer: We are, along with the SMMT, and we have involved officials from the Department for Transport also. The Retail Motor Industry Federation recognises that this is something that they need to look at as a matter of urgency and are keen to work with us on it, but as Simon says there are a number of practical issues. However, some dealers are already doing this in an entirely voluntary sense, even with used cars, and there is now a commercial scheme that will print out a colour coded label in the same way that it is done for new cars.

Q279 Joan Walley: Finally, if I may, earlier on you talked about what it was that was important when people came to make choices about new cars and the surveys that you do, and you mentioned the private purchaser and the company purchasing schemes. I am just wondering about the role of public procurement and in respect of that—for example, local authorities or where employees are required to use their cars for work purposes—what there is under way to encourage greater awareness from that client group in terms of getting the awareness across about the labelling and the way in which that fills that gap that you referred to, Mr Archer, between awareness and actually translating that into action.

Mr Archer: I am not sure that there is a huge amount happening with respect to labelling. With public procurement more widely there is a new £20 million public procurement fund that the Department for Transport announced a few weeks ago, which is due to start in April, and there are other initiatives in terms of trying to improve the performance of local authority vehicle fleets, which is operated by the Energy Savings Trust, the fleet review process. There are also, obviously, ongoing discussions in the Treasury about amending the AMAP scheme by which people are reimbursed for their fuel costs when they use their private vehicles and linking that to CO₂ performance, although the Treasury has delayed making a decision on that. So there is a range of things happening more generally, but I do not think specifically on labelling.

Q280 Joan Walley: Are there issues arising in respect of the Transport Bill, which I believe is going through the House at the moment, in terms of fleet purchasing because presumably there is a lot of new work being done there in terms of, for example, vehicles for disabled drivers and so on and so forth. Is that encompassed within the work that you do to promote this awareness?

Mr Archer: No.

Q281 Jo Swinson: Before I just come on to a couple of different questions I wanted to just ask on the trading standards point, when your surveys show that particular dealerships are not just not displaying the voluntary label, but are in fact breaking the regulations on the European data that they should be providing, do you inform trading standards so that that can then be enforced?

Mr Barnes: We do not ourselves, no, because that is a relationship between the dealer and trading standards, and the ownership of the dealer is not necessarily the ownership of the brand of the car manufacturer. Technically, that is a dispute between the dealer ownership and trading standards, not between, say, Ford and trading standards, it may be a dealer group—Pendragon for example—and trading standards.

Mr Murray: It would be more appropriate here for the Retail Motor Industry Federation to get involved as they represent the dealerships as opposed to the car manufacturers themselves and so I think that is an issue that we have been looking to take forward with the Retail Motor Industry Federation. There are a number of fronts on which we are engaging with them at the moment; it has been delayed slightly in the last year because they have had a restructure and a change of senior management but it is one of the outstanding issues that we have with them.

Q282 Jo Swinson: At the moment it seems that fewer than a third of all cars that are sold have this labelling on them; 14% of the new car dealerships are not participating and even of the ones that are, only 60% are displaying it properly, so it seems that at the moment it is quite patchy. What is really being done to drive forward the use of this so that it can actually be meaningful for consumers? It would strike me that actually enforcing that regulation would seem to be a starting point, but that obviously is not being driven forward from your end.

Mr Archer: With something like 86% of showrooms now displaying the label, about three-quarters of vehicles in showrooms are labelled.

Q283 Joan Walley: But 14% are not.

Mr Archer: 14% are not, absolutely, but given that it is a voluntary scheme and it has been operating for a couple of years the level of uptake is good, it is improving and we are working to improve it year on year. The purpose of the survey is for us to find out the extent to which the label is being displayed and used, the knowledge of dealers on climate issues and the way in which they make use of the label in the sale. We are not a regulatory organisation, we are a

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membership organisation and it really is not our role to inform trading standards of where their work should be. We have worked with trading standards to make them aware of the label, but clearly local trading standards departments will make their own decisions about which issues they prioritise.

Q284 Jo Swinson: It just struck me that if you know which ones are definitely breaking the regulation it might make it worth trading standards while actually taking up the issue, which might then actually encourage people to comply with the EU regulations and that would drive forward the usage of the scheme. On that issue of the survey findings about the staff input on this, I think it was 28 per cent of staff mentioned it but that was only for customers who had already expressed an interest in fuel economy. How can that figure be increased, because surely a key aspect of the success of the label is actually going to be if the sales staff are in that ideal position to explain it to consumers and are more proactive in doing so?

Mr Archer: 28% made extensive use of the label in their explanation. One of the things that we have found is that the number of dealers that are unable to answer any questions about the label at all has fallen very significantly in the last couple of years. Dealer training is one of the key issues; climate concerns are clearly rising across the population and it is something that car dealerships are being trained more widely in now and it is something that I know the SMMT have been keen to encourage. Simon might be able to add a bit more, but what we have seen actually over the last year is a big improvement in the level of knowledge in dealerships; that is not to say that it is good enough but it is to say that it is moving in the right direction. We have to recognise that for the vast majority of car buyers environmental issues are still a very low priority.

Mr Murray: Just on that point of sales staff who had no knowledge of the label, in 2006 22% of the staff that we interviewed had no knowledge of the label, that fell last year to 9%.

Q285 Jo Swinson: Which is good progress. Can I just clarify something, I think you mentioned that three-quarters of the cars in the 86% on average display the label; is that the cars across the whole dealership or the cars in the showroom, because I am just thinking that when I have gone to look at cars you have obviously got an indoor showroom and then loads of cars outside.

Mr Barnes: It is the new cars, the unregistered ones, so it is the one without the number plate on because that is the legal definition of a new car, unregistered and less than 300 delivery miles. In the majority of cases, therefore, it will be the ones in the showroom, that is the explanation.

Q286 Jo Swinson: Just turning to the issue of the comparative versus absolute labelling, obviously there is a lot of information provided on the absolute label but most people go into a car showroom with a particular class or a couple of classes in mind, you know, they are wanting a particular family car or

whatever. Is there not scope for helping those consumers to choose more effectively between the different cars in a particular class where they might all actually be the same letter rating and then it is difficult actually for consumers to make informed decisions?

Mr Archer: It certainly is, and that information is now being provided. The Department for Transport have developed their Act on CO₂ website which has rankings of the top ten vehicles in different segments of the market, the *What Car?* guide now includes rankings based upon CO₂ and colour codes according to the VED band, so that type of comparative information that you are describing is available in a whole range of electronic and hard copy forms; it is not available in showrooms other than in the form of the VCA's guide which includes this information, but that is very large tables of information that very few consumers will go through.

Q287 Jo Swinson: Do you think there is scope for developing the point of sale information to include some of the information which may be available on-line but which a lot of people will not even know is available on-line so it will never come across their radar?

Mr Barnes: We had a big discussion in the partnership of relative and absolute labels, and the general feeling was if you moved towards a relative label there may be some categories of class and car, for example a sports car, that could be classified as being green or low carbon, and was that really appropriate to have a low carbon sports car? The partnership came to the agreement that, no, it was not, and therefore we should concentrate on an absolute label in terms of the upfront appearance of the label and that enabled us to link it directly to vehicle excise duty as well, so there are two benefits of doing that. We believe that consumers do an awful lot of research before they go to the dealership. The dealership is hugely important in making that final choice, but they do research before they go there, so if we can provide information through that on CO₂ and we can encourage manufacturers to put the CO₂ information in a visual form on their own website—and companies like Honda and Toyota are doing that actively now—that is the best approach. Then if the consumer wants to say how is this Renault against this Mazda, the dealership is put under pressure and he has to answer that question.

Mr Archer: People actually enter a dealership at a very late point in the car buying process. A lot of that comparative decision-making is being made much earlier in the decision process and therefore we need to find the media that people are using to make those decisions and get it into those media, rather than necessarily into the showrooms, because by the time people get into the showroom they are generally choosing between a couple of different models in that showroom or engine ranges. It is about targeting that comparative information in the right media so that it reaches people at the right time in their decision-making.

9 January 2008 Mr Simon Barnes, Mr Greg Archer and Mr Jonathan Murray

Q288 Jo Swinson: A lot of those arguments, particularly linking it to the VED, are very strong, but is there not a danger that manufacturers will be particularly incentivised to focus on the more efficient models but less incentivised to make a greener sports car perhaps?

Mr Barnes: There is a debate about that. We have an issue and I think the LowCVP do with the concept of banding where you have a particularly large band from 120 to 150 but there is no incentive to move from 150 to 120 because you pay the same vehicle excise duty. That is where the fuel cost needs to come in because if you are driving a car at 150 rather than 120 you will have a different fuel cost, so that helps support that argument that goes beyond maybe the label.

Q289 Jo Swinson: I wanted to press you a little bit, but it was mentioned earlier about the BMW showroom where all the cars were a band G and, frankly, if you are able to buy that kind of car you have probably got the money to pay the VED or whatever else. Is there any research done on what the levels of VED would need to be to make consumers switch down bands, is it enough at the moment with a £400 differential or does there need to be a much bigger gap?

Mr Archer: The evidence shows that in order to encourage consumers to downsize, either to a smaller engine or a smaller vehicle, you need about £1500 incentive; the VED differential from next year will be £400.

Q290 Jo Swinson: What is the view of your organisations on that and what the Chancellor should do?

Mr Barnes: We have not seen a Government review of vehicle excise duty and its impact; that has been in since 2001 and maybe that is something that we would look to see. We acknowledge that the fiscal system and the link to the car choice is a positive one and one that will inevitably become stronger over a period of time, but what we do not want to see necessarily is an all star change in that from the current level to a future level. The Government recently announced the structure of the future of VED for three years and we think that that trend will inevitably continue. If we look at landfill tax, for example, there was a progressive increase in landfill

tax over a period of time; it started off relatively low but everyone knew where it was going to end up. That gives manufacturers sufficient time to adapt and change their model range and to change the technology. We will have a regulation from Europe that will come in in 2012 and manufacturers will be able to do two things to achieve that regulation: apply technology or change their sales mix, so again this will be another instrument for them, another important factor in this process.

Chairman: Very quickly, Joan, do you have a follow-up on that?

Q291 Joan Walley: It was just a thought really arising out of that last exchange. I cannot even remember which inquiry it was, but it was in relation to the *Stern Report* and the general view of our witnesses was that the *Stern Report* had actually flagged up these issues in a way at board level amongst all components and companies in a way that previously was not the case. I just thought that around that and our discussions now, particularly for the Society of Motor Manufacturers and Traders, what impact has the *Stern Report* had, are your members now from the boardroom down much more interested in and much more concerned about these issues?

Mr Barnes: Climate change is the number one focus for car manufacturers at the moment. Safety, air quality and noise are all subsidiary to climate change, I think it is fair to say, and that was evidenced by the new technology being demonstrated at Frankfurt; hopefully when we have the Motor Show here in 2008 we will see the new technology. They are not all approaching it from the same angle, I must say, there is no commonality of technology, but they all have their technologies that they hope will deliver significant carbon reductions in future years. Stern and all of that has raised the profile. We wait to see what Julia King brings out as a result of her review; we have spoken to her and Greg and the partnership have spoken to her and she is obviously very informed on this particular debate.

Chairman: I think all eyes are on what is happening in California and the case that is going before the Supreme Court on vehicle emissions and all that sort of thing, but I think that is a little bit beyond the territory of this inquiry. Thank you very much for coming in this afternoon; it has been very interesting.

Wednesday 23 January 2008

Members present:

Colin Challen, in the Chair

Martin Horwood

Jo Swinson
Joan Walley

Memorandum submitted by Department for Environment, Food and Rural Affairs

1. INTRODUCTION—THE ROLE OF DEFRA AND OTHER PUBLIC AUTHORITIES IN RELATION TO ENVIRONMENTAL LABELLING

1.1 Defra has a number of direct interests in the subject of environmental labelling.

- At a general policy level, we are interested in the use of information and labelling as part of a wider potential toolkit for helping to reduce the environmental impacts of products and services.
- We have formal responsibilities in relation to some particular labelling regimes—for example, the EU ecolabelling scheme and the EU energy labelling regime, which are established by legal instruments at EU level.
- We are responsible (with the agreement of the Devolved Administrations) for implementing the standards for the production of organic food and feed which are set out in EU law.

1.2 Other Government Departments also have formal responsibilities for rating and labelling regimes which cover a significant environmental issues, for example:

- The Department for Transport in relation to the labelling of new cars to show their CO₂ emissions.
- Communities and Local Government in relation to the energy efficiency of homes (the Energy Performance Certificate included in Home Information Packs).

1.3 The Health and Safety Executive has responsibilities in relation to the regulatory regime for the classification and labelling of hazardous chemicals. This alerts users to hazards to the environment and human health, and provides instructions for the safe use of the chemical.

1.4 The Food Standards Agency leads within Government on the regulation of horizontal labelling requirements which are harmonised at EU level. Food labelling rules aim to ensure that consumers can make safer, healthier, and more informed choices, and to promote free trade within the EU.

1.5 At a broader level, the Department for Business, Enterprise and Regulatory Reform (BERR) has responsibilities for consumer protection, and the legislation on unfair commercial practices, which BERR is currently introducing, is capable of applying to labelling claims which mislead consumers. (The new legislation on unfair commercial practices will replace existing legislation on trade descriptions and, so far as business-to-consumer advertising is concerned, existing legislation on misleading advertising.) However, this framework extends across a potentially very wide range of issues, of which environmental claims is only one.

2. GENERAL BACKGROUND—INFORMATION AND LABELLING AS A TOOL FOR ENVIRONMENTAL IMPROVEMENT

2.1 This memorandum goes on to offer factual material and comment on the specific topics which the Committee has highlighted as its principal lines of inquiry.

2.2 However, Defra would like to offer first some wider background about the issues and developments surrounding environmental labelling. The subject has evolved considerably over the last 15 years or so:

- In the early 1990s the general thinking was dominated by assumptions that good information about products would directly create consumer demand for greener products and “pull” them through the supply chain. Debate was concerned mainly with high-level award schemes (such as the EU Ecolabel, introduced in 1992) and the quality of self-declared “green claims” which businesses made about their products.
- By the late 1990s, however, thinking in many quarters was moving away from this model. The drivers of consumer choice were appreciated as being much more complex and the role of product information was seen more in terms of it working alongside a number of other tools to induce the supply chain to raise the environmental performance of products. The UK was in the forefront of this shift in thinking. For example, the consultation paper “Consumer Products and the Environment” (DETR, 1999) set out a new picture of product policy tools, and how information and labelling might fit into it. This was explored further by the Advisory Committee on Consumer

Products and the Environment (ACCPE) which contributed many helpful insights on the topic in its first two reports (DETR, 2000 and 2002).³² At the same time, views on what became known as “integrated product policy” (IPP) were taking shape at EU level.³³

- More recently, our evidence base about consumer choice and behaviour change has become more sophisticated—see for example the research done in the lead-up to the UK Sustainable Development Strategy, *Securing the Future* (2005)³⁴—and is still evolving. This work has confirmed the weakness of consumer information as a driver for pro-environmental behaviour change, unless used in conjunction with other measures.
- In another recent development, the European Commission ran an expert working group to take an in-depth look at how product information could be made to work positively for environmental improvement. The report, *Making Product Information Work for the Environment* (2006)³⁵ is intended as an input to the Commission’s Action Plan for Sustainable Consumption and Production (SCP) in the EU, due in 2008. Its recommendations involve looking at the whole process of generating and using information in the supply chain, as well as the forms in which it can most helpfully be communicated—including, in the right circumstances, the use of labels.

2.3 The 2006 report, to which Defra made a significant contribution, represents the most up-to-date policy analysis of environmental product information. The report received broad support at a meeting of EU stakeholders and member state representatives in June 2006. The analysis part of the document (p 5–21) could therefore be a useful input to the Committee’s inquiry.

3. BACKGROUND ON THE VARIOUS TYPES OF ENVIRONMENTAL LABELLING

3.1 Environmental labels, claims and declarations come in very varied forms and there is no simple way of categorising them all. But the International Organization for Standardisation (ISO) has produced technical classifications and standards which capture much of the field.

- ISO 14024 is for what are known as “Type I” claims—declarations which meet criteria set by third parties (not by a manufacturer or retailer themselves) and based on life-cycle impacts. These are award-type labels, like the EU Ecolabel and national ecolabelling schemes, requiring compliance with the criteria to be verified by a third party. In theory, products bearing a Type I label should be of a fairly high environmental standard, though in practice this depends on how the criteria for a particular scheme are set and on the effectiveness of the management of the scheme.
- ISO 14021 covers “Type II” claims, which are manufacturers’ or retailers’ own labels and declarations, sometimes called “green claims”. These can be useful, but there is a wide range of quality. Defra and BERR have issued advice about the making of green claims (principally in *The Green Claims Code*, in collaboration with the Confederation of British Industry, the British Retail Consortium and other bodies) to help businesses present the environmental credentials of their products accurately and appropriately, especially in on-pack advertising.
- ISO 14025 is for “Type III” claims, which give quantified information about products based on life-cycle impacts. Type III claims—sometimes known as Environmental Product Declarations (EPDs) or eco-profiles—consist of quantified information about key impacts, such as energy in use. The idea is to allow products to be compared on a like-for-like basis. They have mainly been used in the business-to-business market (though the feature of rating and comparability can also be seen in regimes like energy labelling, which are not technically “Type III” claims).

3.2 Various other schemes or symbols overlap with environmental labels in some way. For example, there are ethical schemes which have links with certain environmental factors or which include some environmental requirement (like the Fairtrade scheme); and there are informative symbols, such as the Mobius loop.

3.3 Defra’s explanatory leaflet, *A Shopper’s Guide to Green Labels*—submitted with this memorandum³⁶—summarises the characteristics of many of the major labelling schemes seen in the UK, and illustrates their logos.

3.4 The *Shopper’s Guide* looks at the different types of labels in less formal categories and may be a more helpful way of looking at what the labels are trying to achieve. (Some schemes fit into more than one of the following categories, and the categories themselves are not mutually exclusive.)

- Ecolabels³⁷—voluntary “award” schemes, which may cover a wide range of products, such as the voluntary EU Ecolabel scheme, or regional or national schemes such as the Scandinavian Nordic Swan, or the German Blue Angel. There are over 20 such schemes around the world, and more are in the pipeline, including proposals for schemes in Africa and Asia (see Section 9).

³² See Chapter 3, <http://www.defra.gov.uk/environment/consumerprod/accpe/report01/index.htm> and Chapter 4, http://www.defra.gov.uk/environment/consumerprod/accpe/report02/pdf/accpe_report02.pdf.

³³ See <http://ec.europa.eu/environment/ipp/home.htm>

³⁴ A note at <http://www.sustainable-development.gov.uk/what/priority/pdf/change-behaviour-model.pdf> gives further references to relevant material.

³⁵ Available at http://ec.europa.eu/environment/ipp/pdf/20070115_report.pdf

³⁶ Can also be viewed on-line at <http://www.defra.gov.uk/environment/consumerprod/shopguide/index.htm>

³⁷ In some countries outside the EU (especially in the USA) “ecolabel” is frequently used to refer to the generality of environmental labelling.

- Energy labels, which focus on the energy-in-use impacts of products—especially the EU energy label, which is mandatory for certain domestic products such as washing machines, refrigerators and lightbulbs. Other labels focusing on energy efficiency and reduced CO₂ have recently been developed in the UK which echo the energy label’s colour-coded ratings, such as the UK’s fuel efficiency and CO₂ label for cars. Other examples of energy labels include the “Energy Saving Recommended” label for a wide range of energy efficient products in the UK market (also a form of “award” label) and the “Energy Star” scheme which appears in Europe and America on a wide range of office products.
- Sector-specific labels, which apply to one kind of product, like timber or textiles. The international Forest Stewardship Council (FSC) scheme (also a form of ecolabel award) is the most well-known of these, but there are many different schemes for products as diverse as flowers and textiles.
- Organic labelling. The word “organic” can only be used to describe food, feed or livestock if the relevant EU standards are complied with. At present the use of the organic logo prescribed by the EU standards is optional, but its use will be compulsory after 2008 when a food or feed product is sold as organic. The logos of the bodies like the Soil Association, which have been approved by Defra to certify organic produce, may accompany the EU logo. Some of these bodies also certify non-food products like textiles, wood products and cosmetics, which are not covered by EU law on organic production.
- Food labels—there are many schemes, for many different types of food, which have an environmental dimension. One of the better known examples is the Marine Stewardship Council (MSC) scheme, but several other schemes also operate just in the fish and seafood sector alone. Some suppliers’ “own brand” labels, covering a range of foods, may also be linked to environmental criteria.
- Social and “wider world” labels primarily address specific ethical (and sometimes environmental) issues associated with the places where products are sourced, such as Fairtrade and Rainforest Alliance (which is why Fairtrade is occasionally mentioned in this memorandum even though it is not primarily an environmental label). These can cover crops such as bananas, coffee, timber, as well as products like footballs and activities like tourism.
- Green claims (the “Type II” labels of the ISO classification above). This covers a multitude of labels, declarations and claims which are self-declared on the initiative of the producer. They are not generally associated with any third-party regime. They are however subject to consumer protection regimes on trades descriptions and misleading advertising.

3.5 There are variations and hybrids of these categories—and some other kinds of labels as well. For example, a few companies have their own quite specific “schemes” behind their self-declared labelling, such as Philips’ “Green Flagship”. Within the last year or so, initiatives using the term “carbon labelling” have started to appear—see Section 5.8.

3.6 Even the more systematised schemes vary in quite basic aspects, such as the strictness of their standards (eg, whether aiming for a very high standard or a reasonably good standard). They also vary considerably in their visibility in the marketplace.

4. THE SCOPE AND COVERAGE OF LABELLING

Products requiring labelling. The Sub-committee would like to investigate which products are currently subject to environmental labelling, both compulsory and voluntary, and whether further products or sectors should be included under an environmental labelling scheme.

Compulsory schemes

4.1 The EU Energy Label is the longest-established mandatory scheme operating in the UK market. It covers most of the more significant energy-using consumer products in the home.

4.2 A similar approach of comparable performance “ratings”, presented on a colour-coded scale, is used in the Energy Performance Certificates (EPC) element of Home Information Packs (HIPs).

4.3 The approach is also used in the UK Fuel Economy Label. The label has been agreed voluntarily by all the companies selling new cars in the UK, but it is in effect a standardised way of presenting consumers with legally required information on fuel and emissions.

4.4 The approaches now followed for homes and cars can be traced back to recommendations made by ACCPE in 2000, around the idea of a “family” of labels for major consumer products contributing to carbon emissions in their use phase.³⁸

4.5 The Chemicals (Hazard Information and Packaging for Supply) Regulations 2002, implement the existing European Directives on the classification and labelling of hazardous chemicals, a long-established and widely understood system. The Regulations require hazards to the environment and human health to

³⁸ ACCPE’s thinking is set out at <http://www.defra.gov.uk/environment/consumerprod/accpe/report01/05.htm#6>

be communicated to the user (both consumer and professional) *via* agreed symbols and warning phrases. The existing system is due to be replaced by the forthcoming European Regulation based on the United Nations Globally Harmonised System of Classification and Labelling of Chemicals (GHS).

4.6 The crossed-out “wheelie bin” symbol is a mandatory mark that manufacturers are required to apply to products which fall within the 10 categories of electrical and electronic equipment (EEE) covered by the WEEE directive—to indicate to consumers that the EEE should not be disposed of as general waste to landfill. End-users are strongly encouraged to separate such WEEE from their general waste.

4.7 The Eco-design for Energy-Using Products (EuP) directive will require a new approach when it is implemented for various types of product—by requiring environmental criteria to be met before the product can receive the CE Mark it needs in order to appear in the market. In this way environmental criteria will be incorporated into a non-environmental label.

Mandatory food labelling in the UK

4.8 As the Sub-Committee has flagged up a particular interest in food labelling, here is a summary picture:

- The labelling of most food in the UK is governed by the provisions of the Food Safety Act 1990 and the Food Labelling Regulations 1996. These implement EU Directive 2000/13/EC on the labelling, presentation and advertising of foodstuffs.
- Additional labelling requirements are contained in over 40 horizontal and vertical pieces of legislation (for example, GM labelling, wine, beef and EU marketing standards).
- These rules aim to ensure that consumers are properly informed about the nature and substance of the foods they buy, protected from false or misleading descriptions, and that industry has a clear regulatory framework which does not restrict product innovation or inhibit the free movement of goods within the EU.
- The European Commission is reviewing the General Food Labelling and Nutrition Labelling legislation. A draft proposal is expected in by end of 2007, at which point the Food Standards Agency will conduct a full public consultation.

Voluntary environmental labels

4.9 As noted in the Section 3 above, there is a very wide range of voluntary environmental labelling approaches covering products and services, including food.

4.10 The most visible voluntary schemes operating in the UK are featured in *The Shopper's Guide to Green Labels*. It would be hard to agree a meaningful and comprehensive list of the many other schemes of varying standards operating in the UK, but Defra publishes an on-line list of many of the less familiar schemes in its *Directory of Green Labels*.³⁹

4.11 For some types of products, such as timber and textiles, there are several schemes which highlight different aspects of sourcing or production, depending on what messages the supplier wishes to communicate.

4.12 Although participation in these schemes is voluntary on the part of business, there are a few which actually operate within a legal framework. For example, organic food labelling schemes are not mandatory, but the use of the word “organic” is controlled by law. And while business participation in the EU Ecolabel scheme is voluntary, all Member States are required by law to establish a Competent Body to run it in their countries, and are also required to promote it.⁴⁰

The case for trying to cover further products or sectors in an environmental labelling scheme

4.13 “Better labelling” is often advocated as a solution to reducing the environmental impact of products, and the idea has stimulated a host of labelling schemes around the world. But labelling is certainly not the only means of effecting change, as noted in Section 2 above. Nor is labelling necessarily the best means of effecting change, especially if pursued in isolation.

4.14 It is quite instructive to look at some of the more successful examples of labelling schemes, in terms of recognition and take-up. The experience of cases like FSC, organic labels and Fairtrade, for example, suggests that market interest is stronger where there is a clear, specific issue which can be readily identified with certain products—eg (in the three examples just mentioned) sustainable sources of timber; food grown without artificial chemical fertilisers and pesticides; and equitable treatment of suppliers in developing countries.

³⁹ <http://www.defra.gov.uk/environment/consumerprod/glc/pdf/greenlabels-index.pdf>

⁴⁰ The Competent Body in the UK is the Secretary of State for the Environment, Food and Rural Affairs.

4.15 By contrast, award schemes which aim to cover a complex mixture of environmental issues across a product's life-cycle have often found it much harder to make headway in the market. (The exceptions in the European market have been the "Blue Angel" label in Germany and the "Nordic Swan" in Scandinavia, which have achieved reasonable recognition in their regional markets.)

4.16 Over many years the Government has consistently held the view that it would not be worthwhile to set up a new publicly-owned, multi-criteria award label for the national market. This was also the firm view of ACCPE, when it was asked to consider this question in depth.⁴¹

4.17 The UK has however continued to support the official EU Ecolabel scheme, working hard to make the existing scheme effective and, increasingly, to advocate reforms which would help to streamline the scheme and get it working closer to the market. The European Commission expects to publish its formal proposals for revision by the end of 2007.

4.18 There are many types of products for which there are no ready-made third-party "schemes" which a company can participate in. With that in mind, Defra offers information to businesses about alternative marketing approaches—in an on-line guide called *Pitching Green*.⁴²

4.19 Labelling schemes that aim to make a virtue of high environmental standards in farming, such as the "LEAF Marque" label, can help raise farmers' environmental performance as well as improving consumer choice. These schemes have the potential to make a positive contribution to environmental goals, if they were adopted more widely and covered the range of environmental issues. However, uptake of these schemes is currently low and Defra is investigating how it might be increased, for example through more explicit government recognition of these standards. Defra is also considering the possibility of developing some form of generic standard for an integrated farm management and environmental management scheme, which would allow consumers to know more about the environmental provenance of food products and improve recognition in the market place.

5. THE ISSUES BEST COVERED BY ENVIRONMENTAL LABELLING

What should be shown under a labelling system. The Sub-committee would like to assess which criteria should be illustrated by an environmental label, and how overlaps between different concerns could be adequately dealt with.

The Sub-committee would also be interested in investigating how environmental labels could best convey information accurately and usefully to the consumer.

Given the EAC's recent focus on climate change and related issues, the Sub-committee would be particularly interested to hear about the development and merit of labels which demonstrate the carbon footprint of a product—ie the carbon emitted during its production, storage and transportation.

Types of criteria

5.1 In general environmental labelling tends to address three main kinds of environmental issue:

- measurable impacts connected with energy and resource use;
- the sustainability of supply, particularly the implications for biodiversity; and
- the presence or absence of substances which may be held to constitute a problem.

5.2 However, as noted in Sections 3 and 4 above, the market is often interested in other aspects of the product, combining social and environmental factors. A good example of this is the FSC labelling scheme for timber products—and arguably this combination is one of the scheme's real strengths in the market.

Communicating with consumers

5.3 Labelling is a flexible instrument, and there are no hard-and-fast rules about the best way of conveying information usefully and accurately to the consumer. Even though the internet can now provide far more detailed information about products, on-product labelling remains highly popular as a conveyor of key messages of all kinds.

5.4 Environmental labels have two main functions *vis-à-vis* consumers:

- they inform—where plain factual information is provided, perhaps because this is required by law, or because consumers are thought very likely to expect it.
- they influence, directly or indirectly—this might be promotional (aimed at trying to encourage the consumer to buy the product); or advisory (for example, saying how the product is best used or disposed of).

⁴¹ <http://www.defra.gov.uk/environment/consumerprod/accpe/report01/05.htm#3.1>

⁴² <http://www.defra.gov.uk/environment/consumerprod/glc/pdf/pitching-green.pdf>

5.5 Some labels combine the two—for example, in “warning” mode, where a label provides essential safety information about the composition of a product and tries to influence consumers to use it safely, because the product may be dangerous to the consumer or to the environment if used incorrectly. As such, labels are covered by legislation preventing or requiring certain features.

5.6 All these aspects may be covered by legal requirements about what information must be put on the labels of certain types of products (especially factual labelling), and laws prohibiting certain kinds of statements (for example, misrepresentation when promoting products).

5.7 Labels which aim to influence are more complex. Another consideration is that labelling schemes (or types of labels) which aim to influence the consumer are themselves also brands or “products”. Like brands, they can:

- create a unique selling point, which advertising tries to sell to consumers (what marketers term “mind share branding”—the use of the FSC logo on tissue paper, for example); or
- be valued not so much for what they do, as for how they make consumers feel about themselves (what marketers term “identity brands”).

Carbon footprinting and labelling

5.8 Carbon footprinting—and how it can be used in the market—is an area of fast-growing interest. It is important, however, to distinguish between the measurement of the carbon footprint (or, more properly, the “embodied” greenhouse gas emissions in products across their life cycle) and the various uses to which that information can be put—of which product labelling is only one of the possibilities.

5.9 A vital first step is to get a commonly accepted method for doing the measurement. That is why Defra is supporting and helping to fund BSI British Standards (BSI) to develop a Publicly Available Specification (PAS) that will give businesses a standard methodology for assessing the “embodied emissions” in their products.⁴³ The Carbon Trust is also supporting that work and the steering group arrangements to take it forward as quickly as possible.

5.10 Once there is a common measurement standard, there are various uses which companies can make of the information about their products. Footprinting information could be used:

- to help companies reduce impacts through changes in product design or process management;
- to help companies reduce impacts through supply chain management—the choice of materials or the standards demanded from their suppliers;
- to communicate to groups of stakeholders the steps being taken to reduce impacts—eg, through company reporting or other corporate materials; and
- to communicate to individual consumers at the point of sale—through product labelling or other advertising material.

5.11 All of these possible uses have potential value. Communication to end-consumers is the one which throws up most challenges. There are issues about how in practice a business can provide information that is meaningful and generally helpful to consumers, does not give any misleading messages, and actually empowers consumers to take useful action.

5.12 The pilot scheme which the Carbon Trust is currently running (the Carbon Reduction Label) should help to tease out some of the issues about how communication to consumers could be made to work in practice.

5.13 Defra’s main concerns in this field are:

- to get a method of measurement for “embodied” emissions which the whole of the market can use with confidence;
- to encourage businesses to act on this information to reduce the climate change footprint of their products;
- to keep in view, nonetheless, that the range of environmental impacts varies for different products, and that the climate change impact is but one aspect; and
- to ensure that whatever kinds of product information are eventually provided to consumers are going to be fair, reliable, helpful and genuinely useful to them.

⁴³ For further details see <http://www.bsi-global.com/PAS2050>

6. THE CASE FOR RATIONALISING ENVIRONMENTAL LABELS

The case for rationalising environmental labels. The Sub-committee would like to assess whether concerns over the proliferation of environmental labels are justified, and the extent to which consumers are able to cope and engage with the many different labels on the market.

The Sub-committee would also like to investigate whether there is a case for rationalising the system of environmental labelling, or for calling for certain labels to be given priority when displayed on products.

6.1 Existing labelling schemes cover many different issues, including some overlap between certain schemes. But having a wide range of different labels on the market is not necessarily a disadvantage.

6.2 “Rationalisation” is difficult to consider when there is no fully comprehensive model of labelling which covers all aspects of sustainability. In fact, the striving for balance between different factors may mean that the more issues a scheme covers, the less effective it is as a label.

6.3 Although the number of labelling schemes can seem confusing, some have become well known by consumers, who are able to differentiate between them in the same way as between the many different brands and retailers. Suppliers are likely to continue to want a range of labels to reinforce a variety of key messages about their products. And retailers in particular can aim to make their own brand a desirable environmental and social label.

6.4 There are several important sectors in which well-known standards or labels do not address all of the issues which matter to buyers, or where there is no good labelling scheme, or where existing labels do not meet market needs in other ways. So there is room for initiative in the market to consider new labels which address issues not covered by others. This helps fresh approaches to be tried out and can help inform wider debate.

6.5 Even where separate labelling schemes cover similar territory, a degree of choice can help business. The first-rate schemes obviously help to encourage better environmental standards, and stimulate other organisations to create better schemes. At present it seems likely that there will continue to be a core range of good green labels in the market.

6.6 There was a helpful discussion of some of these issues in a report by the Cabinet Office Performance and Innovation Unit in 2000,⁴⁴ which looked across a range of social, health and environmental issues in the trading system, and included a look at some of the issues raised by labelling. Among the conclusions were that “labelling can often be left to the market to deliver, responding to consumer and producer demand for schemes. Voluntary approaches have a number of advantages including greater flexibility and capacity to reward market leadership through setting high standards. Government still has a role to play in terms of guarding against misleading claims, promoting adherence to best practice (eg to avoid the creation of *de facto* trade barriers) and in promoting mutual recognition of schemes.” These points were reflected in subsequent inter-departmental work on common principles to apply in policy towards labelling schemes.⁴⁵

6.7 Defra’s approach towards promoting voluntary schemes is to encourage businesses to use the best of them, and to help consumers to recognise those schemes through initiatives like *The Shopper’s Guide to Green Labels*, which shows the main types of green labelling schemes operating in the UK, and its *Green Labelling News*.⁴⁶ We have also been working to encourage cooperation and convergence of approach (and therefore less proliferation) in the field of formal “Type I” award labels, particularly in the EU market.

7. THE IMPACT OF ENVIRONMENTAL LABELLING ON CONSUMER BEHAVIOUR

The impact of environmental labelling on consumer behaviour. The Sub-committee would be interested in assessing how easily consumers understand environmental labels, and whether environmental labelling has a significant impact on human behaviour; not only whether it can reinforce and assist existing positive environmental behaviour, but also whether it can cause behavioural change.

The Sub-committee would like to assess whether concerns over the proliferation of environmental labels are justified, and the extent to which consumers are able to cope and engage with the many different labels on the market.

7.1 Surveys normally find that consumers say they want more or better labelling, and would use it to guide their choices. However, other evidence suggests that environmental labelling in itself actually has limited impact on consumer choice at present. This is partly because of the complex factors behind choice and behaviour (referred to in the introduction to this memorandum). But sometimes it is simply because consumers are unsure about specific aspects of labelling. For example, a very recent study by ANEC, the European body representing the consumer voice in standardisation, said that new “A+” and “A++” Energy Label ratings were confusing to consumers—in what is one of the most familiar areas of green product labelling, and one with clear factual backing.

⁴⁴ *Rights of Exchange*, at <http://www.cabinetoffice.gov.uk/strategy/downloads/su/trade/rights.pdf>

⁴⁵ See <http://www.berr.gov.uk/files/file8162.pdf>

⁴⁶ <http://www.defra.gov.uk/environment/consumerprod/glc/gnews.htm>

7.2 Whether labels cause consumers to switch from one brand to another is not known with any precision. It appears that environmental labels are held by consumers to be more important in some areas (eg, cleaning products, paint and textiles) than others. And also that there are different headline issues for consumers for different types of product (eg, no peat for soil improvers; recycled paper for kitchen roll).

8. THE REGULATION OF ENVIRONMENTAL LABELLING

The regulation of environmental labelling. The Sub-committee would like to examine the ways in which environmental labels are calculated, assessed and awarded, and would also like to investigate the current regulation to which these labels are subjected.

The Sub-committee would welcome assessments of whether current levels of regulation are adequate, or whether further regulation, be it wider in scope or stricter in demand, is required.

8.1 As noted above, the UK has legal requirements about the accuracy of claims made about products. Defra keeps *The Green Claims Code* and other guidance to manufacturers and retailers under review, and occasionally meets the ASA and other bodies to discuss this.

8.2 It is worth noting that the European Commission has raised the possibility of strengthening the application of rules on misleading advertising to green product information.⁴⁷

How standards for labels are set and labels are awarded

8.3 This varies with the scheme. Type I ecolabel award labels normally set their criteria after consultation with interested parties and circulation of drafts, which is intended to be a transparent process; applicants then have to obtain some kind of independent verification to prove that they comply with the scheme's requirements. Type III 'profile' labels typically set their criteria through some form of sectoral collaboration. Type II labels and declarations are by definition self-declared. And the criteria for legally-backed schemes (such as the EU energy label) are agreed as part of a legislative process.

Regulation of voluntary labelling schemes in the market

8.4 Most green labelling schemes start as industry or sector initiatives, or are independent. Many schemes are run by private organisations and some are international. There is little scope for Government to control these, beyond the legal framework to deter inaccurate, unfair or unhelpful claims. Governments are also wary about intervening beyond that—in their own fields many independent labelling schemes have a valuable profile, with strong promotional strategies for focusing public attention on key areas of environmental concern.

9. EXPORTS FROM DEVELOPING COUNTRIES

Exports from developing countries. The Sub-committee would also like to investigate the impact of environmental labelling on exports from developing countries, and in particular whether labelling of this kind could have a detrimental impact on the trade opportunities available to these countries.

9.1 Environmental labelling has sometimes been seen as a threat to developing countries, and debate about ecolabelling in the 1990s frequently questioned whether it was a Technical Barrier to Trade (see also section 10).

9.2 It tends now to be seen more as an opportunity. The development of an African eco-labelling scheme was one of the activities identified in the African 10-Year Framework Programme on Sustainable Consumption and Production. The African Union Commission is currently working with the Economic Commission for Africa and the United Nations Environment Programme (UNEP) to develop an ecolabelling scheme for Africa, to exploit the global market for greener products, to increase access for its products and contribute to poverty reduction.

9.3 UNEP also held the first Steering Committee meeting this summer for its project on enabling ecolabelling opportunities for developing countries, which will be formally launched in December this year. The project supports the implementation of ecolabels in developing countries, and aims at developing a roadmap in the direction of mutual recognition of ecolabelling schemes. The countries involved include Brazil, China, India, Kenya, Mexico, and South Africa, as well as representatives of the European Commission.

9.4 At the opening session, the Chair of the Global Ecolabelling Network expressed his appreciation for the project "in reversing the misperception of ecolabels as trade barriers and transforming them into an accessible tool for enhancing trade opportunities of developing countries".

⁴⁷ See p 13 of the Commission's consultation document on an EU SCP Action Plan (July 2007) <http://ec.europa.eu/enterprise/environment/sip.pdf>

9.5 Other kinds of labelling, especially “wider world” labels such as Fairtrade and Rainforest Alliance, have built relatively strong support by focusing on the impacts of products on the communities and environments in the areas where they are produced. For example, Unilever announced in May that it would certify its tea producers in East Africa to Rainforest Alliance Standards as the first move in a plan to source its entire tea supply sustainably.

9.6 There is a legitimate concern, however, that labelling which focuses exclusively on the issue of “food miles” may be damaging to developing economies (eg, as in debates about the environmental downside of green beans air-freighted from Africa, as against the social and economic upside for the producing country.) The concept of “food miles” has gained wide currency, but is often unhelpful if taken in isolation: as one study has put it, “a single indicator based on total food kilometres is an inadequate indicator of sustainability”.⁴⁸ It can also be misleading in terms of the total environmental impacts of a product—for example, a focus on overseas transportation ignores the climate impact from other stages of the production cycle, such as cultivation, preparation, refrigeration, and transport within the UK. As an illustration of this, one recent study has found Kenyan cut flowers to be five times less carbon-intensive than flowers imported from the Netherlands.⁴⁹ Defra’s work in developing a robust standard for measuring all the embodied greenhouse gases in products (see Section 5 above) is intended to enable a more balanced view of this complex subject.

10. INTERNATIONAL LABELLING

International labelling. Finally, the Sub-committee would be interested in assessing the feasibility of an international environmental labelling system, and the extent to which this would be compatible with the rules on trade set out by the WTO.

10.1 The EU Ecolabel is the largest scheme in the world in terms of the number of countries which formally operate it. The scheme is already watched with interest around the world and can also be awarded outside to products from outside the EU (Defra has awarded it to companies in Asia, North America and Australia), so the scheme has the potential to be a much more influential player on the world stage.

10.2 Several international voluntary organisations exist to coordinate information about each type of labelling system and to promote good practice, but they have no regulatory powers. These include the Global Ecolabelling Network (GEN), for Type I labels; and GEDnet (the Global Type III Environmental Product Declarations Network) for Type III labels. These bodies do not have formal powers to coordinate labels, and do not “own” the labels, some of which are subject to owners’ copyright and other restrictions, and are effectively products or brands in their own right.

10.3 GEN has been working for some time on proposals for an International Coordinated Ecolabelling System (GENICES). The intention is to develop a coordinated system, not a replacement international system. Proposals include the development of 12 harmonised or core criteria. As noted in Section 9, UNEP’s project on enabling ecolabelling opportunities for developing countries aims at establishing a roadmap in the direction of mutual recognition of ecolabelling schemes.

10.4 A big new international scheme is therefore not on the cards in the foreseeable future, but international cooperation is likely to increase, and indeed international cooperation in other areas of labelling will promote this in environmental labelling. For example, the European Commission is proposing to align the current EU system of classification of chemicals to the United Nations Globally Harmonised System (GHS)—see Section 4.5 above—integrating the internationally accepted classification and labelling system in new EU legislation.

10.5 The GHS, which is currently under negotiation, is expected to boost trade and competitiveness, and this is also one of the potential benefits of harmonised labelling schemes. International cooperation is in the interests of all stakeholders, but is perhaps particularly important for multinational companies, which need to know the environmental standards that they are expected to meet and stay ahead of in many different markets around the world. The development of labelling schemes therefore needs to take account of the global supply chain of a great many products, and hence to meet international industry requirements as well as those at a national level. Defra’s work to develop a methodology on the measurement of embodied greenhouse gas emissions, with its potential to form the basis for agreement of future international standards, is an example of keeping this international perspective in view.

11. CONCLUSIONS

11.1 A wide and very diverse range of environmental labels currently appears on food and other products and services in the UK.

11.2 Most labelling schemes cover the environmental impacts for one kind of product, such as timber; or focus on one major environmental impact, like energy. A few schemes, like the EU Ecolabel, cover a range of environmental impacts for a wide range of product groups.

⁴⁸ Watkiss (2005).

⁴⁹ Williams (2007), *Comparative Study of Cut Roses for the British Market Produced in Kenya and the Netherlands*.

11.3 The key issue underlying such initiatives is the difference that the scheme is intended to make. The environmental benefits of voluntary green labels vary. Most provide a high environmental standard for producers to aim at, and there is evidence that this is important to manufacturers and retailers. If producers communicate a product's green credentials to consumers, the label may also help to raise awareness about environmental issues, and may change consumer behaviour in some cases by building up allegiance.

11.4 However, environmental labelling in itself appears to have limited impact on consumer choice at present. Defra feels that the environmental impacts of products need to be addressed in many other ways as well, as part of an overall strategy for improving key types of product.

- At a cross-cutting level, this involves for example promoting the development and use of standards and sound methodologies for assessing impacts (as for example Defra is currently doing in relation to the carbon footprint of products).
- At a sectoral level it involves engagement with industry to encourage good practice to reduce the environmental footprint of its activities (as for example with various Defra programmes in relation to the food sector, and further consideration being given to the development of integrated farm management).
- And at a product level it may more detailed engagement with the supply chain to agree specific improvements to the performance of products placed on the market (as for example with Defra's work on key energy-using products like domestic lightbulbs).

Defra is continuing to develop its strategy for raising the environmental performance of products and is planning to report on progress in Spring 2008.⁵⁰

11.5 Defra does not regard the number of existing labelling schemes in itself as a major problem for consumers, because the development of such schemes has been mainly led by the market for a specific purpose, indeed sometimes with encouragement from Government for that purpose. A degree of choice between labels can help the many different interests in a very diverse market, and has resulted in some excellent schemes. Although there is now a large range of labels, the leading few are becoming better known to consumers, and their purpose seems generally understood. As with "brands" generally, promotion of different schemes is a matter for the label owners, but Defra can and does help by focusing the attention of domestic consumers and professional purchasers on the best schemes.

1 October 2007

Witnesses: Joan Ruddock MP, Parliamentary Under-Secretary of State (Climate Change, Biodiversity and Waste), Mr Bob Ryder, Deputy Head, Sustainable Products and Materials, and Mr Dominic Pattinson, Project Leader, Food Chain Programme, Department for Environment, Food and Rural Affairs, gave evidence.

Q292 Chairman: If it is okay with you, Minister, we will kick off straight away because there might be a vote because the first set of business is only an hour and a half, which would come half way through this session. I wanted to ask you first of all what role does environmental labelling play in meeting the Government's various environmental targets. Is it considered a critical aspect of policy, or rather more sidelined?

Joan Ruddock: If I may, Chairman, I will just say to you that I have Bob Ryder on my right, who is the Deputy Head of the Sustainable Products and Materials team, and Dominic Pattinson, on my left, a Project Leader in the Food Chain Programme. Of course, I may ask them to assist me in replying to your questions at any point.

Q293 Chairman: Welcome to you all.

Joan Ruddock: Thank you very much indeed. In terms of what part does labelling play, it plays a part. We have not got an evaluation in terms of our overall strategies and programmes in meeting our environmental objectives but I can say that it is an important part although it is not the whole answer

by any means. There was a time when we believed that if only people had all the information to hand through labelling they would make the best choices in terms of environmental impacts and that would speed us all on the route to solving our environmental problems. Clearly those hopes have not been realised but there has been behaviour change as a consequence of labelling and some of that is clearly in the direction that we would wish, which is, of course, overall sustainability.

Q294 Chairman: Where do you think that impact would happen as a driver in changing behaviour, with producers, consumers and suppliers, all in equal proportion?

Joan Ruddock: I think it depends on what the particular product or service is. In some cases the labelling can be extremely important. I will give you some examples. If we are looking at products which are bought occasionally, white goods for example, fridges, freezers, that kind of thing, where somebody is going to make a specific choice and not very often, if they are then presented with a very clear label which tells them something very important, not just

⁵⁰ See *Waste Strategy for England 2007*, p 58, <http://www.defra.gov.uk/environment/waste/strategy/strategy07/pdf/waste07-strategy.pdf>

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about how that has been rated but also how it might perform when the product is in use, and I think of course of the EU labelling which has been applied to electrical appliances, the A–G labelling, then we know that has been extremely successful, so there you can see a direct result of people making choices. Combined with the choices that people make is the fact that the manufacturers, the supply chains and, indeed, the retailers are all engaged in a process whereby that research, that methodology and that measurement has got to occur. In that process what tends to happen, and what we desire, is you actually drive up standards so that when the consumer is making a choice they are also having a clear choice but it is backed up by a lot of work that is within the supply chain and all the rest of it. In that case you can see the value of the label. In other areas where perhaps it is much more difficult to label, some of the work that we are doing at the moment would be in the area of, say, consumer electronics where much of the work will be with manufacturers and retailers and they will drive the change but it may be too difficult, we do not know whether we can put a new label on that is going to work. That process is actually driving up energy efficiencies, so the consumer is presented with a different choice and the average of the product range in that case may be more energy efficient and, therefore, that is the means by which we arrive at that particular point.

Q295 Chairman: During the course of our inquiry into environmental labelling we have discovered that there is a huge variety of labels, many in the same field. Say in 10 years' time from now, should we be looking for a rationalisation of all these different labels which must contribute to some extent to consumer confusion? Is that something that Government should involve itself in?

Joan Ruddock: First of all, we acknowledge that there is a degree of consumer confusion and that, again, is not equal across the board. In some areas consumers are quite clear because, for example, if a consumer is used to shopping within one store and that is where they are going to shop regardless, they may not be at all bothered about what is going on in another store so the total proliferation may not be something that comes before them, but within the store in which they operate they might then make choices and they get to know that particular store's type of labelling if it is an in-house one and they may be quite able to make choices based on that information. When it comes to a person, or government for that matter, looking absolutely at the proliferation overall then it is of concern because we know that they do not all have equal value, they are not all going to direct people appropriately, and when we do consumer surveys what we find is people do tell us that they want clearer labelling and to a degree they are confused. Ideally, you might suggest, we should move to some comprehensive label that says, "this is good for the environment", but I have to tell you that has not been possible. The best work that we are doing that is probably relevant to that is

looking at farming practices and we have planned, and are in the process of doing, some work to bring some clearer, more comprehensive approach to farming practices in terms of their environmental impacts. I think I have got a note somewhere but I cannot put my hand on it. I will be able to tell you in just one minute what the work we plan to undertake is called. We said that we will look for a generic environmental standard for food and this is a standard which could underpin product labelling. That is being undertaken with the British Standards Institution and would, of course, enable us to look at the current assurance schemes to see whether something could be done which would bring them together possibly.

Q296 Chairman: I think we will be returning to that subject later. I have to ask you this question: when you go shopping do you actually look out for any labels that you think are particularly successful or meaningful, or do you avoid others for that matter? Feel free to name them within these four walls.

Joan Ruddock: I think Ministers have been warned at some point in the past when I have been reading up on this subject that we would be ill-advised to endorse any particular form of assurance or any particular product.

Q297 Martin Horwood: Go on, be reckless!

Joan Ruddock: I shall follow the guidance closely. What I will say is this: over a period of years I have purchased equipment for my kitchen, in recent times I have purchased a boiler, and certainly on the white goods the A-G labelling has made the impact on me that we know from research it has made on consumers. You go there, you want to buy that product, it is in your face, it is on the white door and it makes an impact, so of course I always choose A and now I know I would have to choose A+ or A++ . Beyond that, I will say that I choose to buy organic food and as a consequence of buying organic food I believe that I am choosing a quality and a certain farming practice, which is what I want to support. That is quite an easy choice, just to look for "organic" without having a proliferation of labels that tells you that this does many, many things which may be correct or not.

Q298 Chairman: Are there any areas where you think environmental labelling might be inappropriate? For example, we know that the Carbon Trust is working with Halifax to develop some sort of label for a bank account. Is that really an appropriate area?

Joan Ruddock: I certainly would not like to second-guess any work that the Carbon Trust is doing, they are a very reputable organisation and highly supported by Government. I do not know the basis on which they may have undertaken such work. If we are looking at carbon labelling then the Government's position here is very much that we want to do the fundamental work. We believe, and we are engaged in this work, that we need to work out the carbon footprint throughout a whole lifecycle and unless the carbon footprint through the

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whole lifecycle of a product or a service is well understood and can be quantified then it is impossible to produce any kind of labelling. The process whereby the carbon footprint is determined probably is much more important than any label that might result from it because it is that understanding of the process that enables the supply chain, the manufacturers and the retailers, all to adjust their behaviour in relation to the products or services that in the end is likely to have the biggest impact on carbon reduction for all of us.

Q299 Chairman: Are you particularly confident that many of these labels are properly recognised and understood by consumers or are they perhaps to a certain extent a little bit of 'greenwash' when we find that many people, supermarkets, cannot agree amongst themselves what is the standard? There must be a varying range of standards amongst many of the labels that we see. Is there a danger that they are appealing only to the converted and it is a kind of self-reinforcing form of behaviour and the vast majority of people do not really give a damn?

Joan Ruddock: Just on your last point, which is not directly about the labels, I can say that Defra has very recently published a considerable piece of work on environmental behaviours and what we see in that work, and we divided the population into seven groups, is that we have got about 18 per cent of the population who are thoroughly committed environmentalists and about the same proportion at the other end of the spectrum who, in your words, not mine, could not give a damn, and between that there is the whole range. What has been worked through is how people change their behaviour, what might encourage them to change their behaviour and so on and so forth, so that we can actually market our messages. That work clearly indicates that people have different attitudes, they are in different places and they will make different responses, but will they move, the answer has to be yes otherwise we could not have got recycling, for example, up from under ten per cent to over 30 per cent. We know people can be influenced, environmental behaviours can be influenced, and it is part of the job of Government to do that. I put labelling in that context. Some of it is going to work. For example, some of it works against other messages. Forest Stewardship, for example, where we think because of many campaigns by NGOs there is a body of opinion that is concerned, and it is a large body of opinion, and knows there is some problem about forests, about logging and all the rest of it. If you have a label that gives you some assurance that might be dealing with the problem that you know of somewhere in the back of your mind, then a label that relates to a wider message may be more effective than something that just appears that has no context. Of course, many of the labelling systems have to be based on proper standards, international standards indeed from ISO, so what we try to do in Defra is help people to know that these things are appropriate and are doing what

they claim. We have got publications, and I think you were all sent our little *Shopper's Guide to Green Labels*, also a great deal of material and information is available online. We do know that there are fewer false claims today than there were at the start of interest in this field.

Q300 Chairman: Finally, from me, I wonder to what extent the visibility of labels is an issue. When the Government was rightly tackling tobacco the health warnings got bigger and bigger and bigger until I wondered eventually whether they would be the entire advert, if you like. Should some of the approaches that we have made be more visible and be made more of a feature in that sense?

Joan Ruddock: I think that is something that can only be worked through, I am sorry to say, on an individual product or service because some things physically are just too small to carry the whole impact of all of the many messages that we would like to put. It would be impossible to design all the protection labels on to some very, very small product. It has got to depend on what we are dealing with in terms of the product itself. Having said that, if the product could carry a label of a decent size with decent sized print on it then there is no excuse whatever for putting that information on the back of the product in very small type where you cannot actually see it until you acquire the product. We would want to see the best practice with labels that are meaningful.

Q301 Jo Swinson: To touch on the example you mentioned of A–G, which I think we are all familiar with, that is an example of a label where the environmentally good decision is the same as what is financially the smart thing for people to do. It is the same with vehicles as well when it says how much it costs to run. Would you say that environmental labelling will only be successful where those two different motivations are in sync with each other?

Joan Ruddock: Not necessarily, but you are absolutely right to observe that they are in sync and that is why it has probably been hugely successful. Where people are making a decision about purchasing a product then price is clearly a factor, so if it is just at that moment that they have to make a choice, "Is this better for the environment or not", then price may be the deciding factor for them if they are not from this very committed group that I spoke of earlier. However, if they know it is going to be better long-term and, therefore, they are likely to get their money back then the price factor aligns with the environmental interest. It is not universal but clearly you point to something which is of some significance and everyone acknowledges that.

Q302 Jo Swinson: What do you think that means for the types of products where there is not that alignment? You used the example of buying organic food, which is typically more expensive, or furniture with ethnically sourced timber and so on. When it is going to cost a customer more and, as you say, there

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is this committed group of 18% who may well make that decision, how can these labels reach out to the wider mass of the other 50-plus per cent who might be waiting to be convinced but this price issue might mean that those labels never really get mass appeal?

Joan Ruddock: We need to acknowledge first of all that some people do not have enough money to be able to make a choice other than they must spend as little as possible, and there is nothing to be said against that, that is a situation in which many people find themselves. But if people do have choices then there are other factors and the other factors that are also at the top of the table of behaviour change and influence are those which are concerned with personal health and a degree of self-interest. It is putting labels in context again. For example, if they receive many messages about their personal health and how it could be adversely affected by whatever then they are more likely to make choices on the basis of using that information and they will do that, in many cases even if the product costs more, and that is why we have seen a shift to organics by people who are paying a premium in order to make choices for organic food. We have also seen this—I was surprised to learn this, I have to say—in areas like paint where I would have thought that telling people about volatile organic compounds was not a message that had been conveyed to the population at large, but the evidence suggests that there has been a shift in behaviour and once people see a label that indicates something which they believe to have a degree of danger in it then they are making choices in areas like paints. All we can deduce from so much of this work is that this is a very complicated field and it is not a case of one-size-fits-all.

Q303 Jo Swinson: Given that, what role do you think Defra has in managing and co-ordinating the environmental labelling? Would you see it characterised as taking a leadership role or more behind the scenes?

Joan Ruddock: Again, I think it is both. In terms of our public facing work, our websites, the *directgov* website that will lead people into an examination of environmental standards, behaviours and so on, clearly we have got a leadership role. One of the things that we have been doing with our Act on CO₂ campaign has demonstrated to us is that people say, “I will if you will. Government ought to lead”. In some of these areas leadership by government is seen to be necessary. Equally, there are areas where people are more than happy to trust a third party organisation, and I mentioned before the Forest Stewardship Council. It is not always that government has to lead, there are other trusted bodies out there that can equally lead in other cases. Where that is the case the role of Defra is often to endorse third party and voluntary efforts and sometimes often to encourage them behind the scenes.

Q304 Jo Swinson: We took some evidence from Marks & Spencer who suggested that the Government should set up a stakeholder advisory group to identify where there are gaps in

sustainability labelling and where labels that currently exist could be made better. Do you think that is a good idea? Does the Government do any of that analysis to find the gaps already?

Joan Ruddock: I think, if I may, I will ask either of my officials if they are aware of any work on gap finding going on.

Mr Ryder: There has been work done in the past through the Committee on Consumer Products in the Environment which had a five or six year remit to go into this area. Its emphasis was more on finding some key priority areas where perhaps the Government should push for more co-ordination, for example taking the energy label principles and applying them in big areas like motor vehicles and home energy ratings. There is a priority that we have given to that kind of analysis, the opportunities for pushing home a big message about certain kinds of rating. We have not done any finer analysis of labelling detailed environmental impacts spread across the board.

Q305 Jo Swinson: You say that there was a committee that identified the key priority areas, which a few years ago would have been the big ones that you outlined, but there has not been any follow-up to say, “Now we have done those areas, which are the next priority areas?”

Mr Ryder: The link is with the way that our product policy work has moved on and what we are doing now in terms of product roadmaps. As part of the product materials work within Defra we have identified 10 pilot areas where we are trying to take a comprehensive look at the impact of some big hitting product areas and then to try and map the most likely effective interventions that could bring about improvement. It could be that labelling options are a part of that picture but not necessarily so, it will vary between the categories.

Q306 Jo Swinson: Minister, you mentioned earlier that consumers have said in various studies that they want more information and welcome this. Are you confident that the Government is doing enough to drive the labelling agenda where it would be helpful?

Joan Ruddock: Yes, I think so. We have also got to remember that in some fields it is the European Union which is the lead on this, so we constantly work with them, and on the ecolabelling scheme, for example, which is currently under revision we have been asking for that to be made a better scheme more closely aligned with the market. What we know about that particular scheme from our own experience is that it is probably not all that well-known in this country, but the work that goes on and the fact that it has got to be independently accredited is tremendously important in driving forward environmental standards in products. As I see it, we are working on so many different fronts that relate to labelling that I am satisfied we are doing a lot of very, very important work and we are not completely focused on labelling because we do

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not see labelling as being the only answer, it is only a small part of the answer to driving forward environmental standards.

Q307 Jo Swinson: Does Defra put pressure on retailers and producers to use environmental labelling, or do you see that as perhaps something that happens within the market driven by competition?

Joan Ruddock: It is both. The important thing is that we have very good relationships on a huge variety of fronts with manufacturers and retailers. If you think about the lighting initiative and the move to low-energy light bulbs, that is a classic example of where retailers are pushing the boat out all the time, they have a voluntary agreement with us, but the Government has always been in there, we are dealing with the EU but at the same time saying let us get ahead of the EU, and that is the way it works across many, many fronts simultaneously.

Q308 Jo Swinson: Could you tell us what role Defra takes in setting standards and regulating the various labelling schemes that do exist?

Joan Ruddock: In terms of our actual responsibilities in setting standards and advising business, for example, first of all we have got direct responsibilities which are for the EU energy label and the EU ecolabel, and there we have formal responsibilities and those are obviously carried out, but we also advise business in terms of the Code of Practice for Green Claims. As I indicated earlier, we do a great deal of work advising consumers. We get involved in the development of new standards and frameworks which could support better product information. As I have indicated already, we have got a lot of material available on the web to explain to people and so on and so forth. We are engaged in a very wide range of activity already but we are constantly alive to the need to move forward. As I said earlier again, sorry to repeat myself but in answering you comprehensively I have to say that the major new work is the work that I spoke about in trying to find some generic standards in relation to food production.

Q309 Jo Swinson: On the green claims code are you happy that producers and retailers are actually abiding by the green claims code? What sanctions do you have if they are not and consumers are effectively being misled?

Joan Ruddock: You will probably appreciate that I have been in this job for six months so I have not got a perspective on that particular question and again I will ask whether Bob or Dominic have something to say on that?

Mr Ryder: The code was introduced at a time when poor environment claims were more common and in fact by the time the code came out the worst had actually peaked. In the late Nineties the code was a first attempt to produce the baseline standards to the market, and it actually seemed to have quite a quick effect. By the time we reissued the code in early 2000 our survey showed that the quality of claims had improved on average, poor claims were

disappearing and the standard was generally improving. It identified some hotspots, some particular sector and product areas, where problems were still persisting, and the way we tried to respond to that was to develop some guidance on those particular product areas and the kind of information that could be conveyed without giving any misleading impressions. That seems to have worked to quite a considerable extent; it is very rare that we actually receive directly any complaints on 'on-pack' product claims; there is an on-going problem at a fairly low level on media advertising relating to products, which the Advertising Standards Authority picks up, but they use really quite similar principles to those in the green claims code.

Q310 Jo Swinson: You mentioned that there was a range in quality of the labels; are you satisfied that Defra does have adequate powers to deal with it where there is low quality and the standards of transparency and the label doing what it says it does are not being met?

Joan Ruddock: Again, I do not think this is a question of Defra having the powers because the claims either meet international standards and have third party accreditation or they are claims which the manufacturers are making themselves. Bob Ryder has just explained what the history of this is and how we think this has been improved actually over a period of time, and of course there is the Advertising Standards Authority who police a certain amount of this as well. I do not think I can really add anything more to that.

Q311 Jo Swinson: There is just one final question from me which may be before your time so it might be that your officials will know the answer. The shopper's guide that was produced, which I do not have my copy of here today, obviously has a wide range of labels in it. How did you decide which labels to include in the shoppers' guide; what were the criteria for that?

Joan Ruddock: I was simply advised on that and the advice I was given was that these were the biggest and most popular ones and because they were appearing most they became the most significant labels and therefore to explain what each one meant was the whole purpose of that very nice and handy little leaflet. As I said earlier, there is a great deal more detailed information available through websites and that will constantly increase.

Mr Ryder: Perhaps I could add to what the Minister has said. The majority of those commonly seen labels, described in that little leaflet and on-line are also ones where there are fairly well-established ground rules or forms of accreditation backing the label up, so in a sense we were both informing about what the label stood for but also promoting to a certain extent the fact that they were reliable and could be trusted. There is a very small section of the shoppers' guide which is a health warning about

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claims that are not backed up or verifiable, or some claims which look like environmental symbols but are not in fact.

Q312 Martin Horwood: Can I quickly ask before I get on to my main question, is your personal support for organics going to be reflected in the environmental standards you are setting for farmers?

Joan Ruddock: My personal support for organics is indeed personal and was a reply to a personal question, and therefore must not be taken as in any way influencing government policy.

Q313 Martin Horwood: I am very surprised about that; I think you should press the point. If I may say, I think you are absolutely right to support organics and you are in a unique position to do so.

Joan Ruddock: When it comes to working with the farmers it is one of my colleagues who has that very pleasant duty and not myself.

Q314 Martin Horwood: You should press the point. M&S gave evidence to us which was very interesting. They said they considered very complicated labelling within their store to try and emphasise their environmental credentials, but in the end they said the message from that main stream of consumers was “Too complex, guys. Ten minutes in your store. Please do it for me.” The Sustainable Development Commission and the National Consumer Council have come to more or less the same conclusion for consumers as a whole, that what M&S call “choice editing” might be a useful goal for government to do. M&S have taken non-energy efficient light bulbs off the shelves, battery eggs, non-Fairtrade coffee; could you not be a bit more brutal in regulating out the environmentally and ethically unfriendly products?

Joan Ruddock: First of all can I just say that we very much share the sentiments that were expressed by Marks & Spencer and we equally know that because of the many, many factors involved in driving up energy efficiency or driving down carbon emissions it would be very difficult to reflect all of the things we want to do, aiming for our environmental goals all the time, aiming for outcomes all the time, it would be very difficult to reflect all of that in a single, simple label. We agree, and that is why I have prefaced my remarks so often this afternoon by saying it is just one part of a solution. We believe that choice editing is a very significant way forward and we ourselves are working on that a great deal. We have mentioned the lighting initiative already, but we have many other product streams where Defra is working with manufacturers, with retailers, to see how we can ensure that the market does offer better choices to the public. All the work I described earlier, how we work with the supply chain, how the work is done with the supply chain and the analysis that is done to see what the carbon footprint is, as that work goes on we are able then to inform ourselves, all of us together, that, for example, if you take set-top boxes—a very, very important commodity today—

it is possible to very significantly reduce the energy consumption of set-top boxes, so we have an initiative on set-top boxes, on standby buttons.

Q315 Martin Horwood: The point made by the Sustainable Development Commission and the National Consumer Council was that most consumers would just hope that all the products they have to choose from will meet good environmental and ethical standards, so it is not just promoting the best, which is what you seem to be talking about.

Joan Ruddock: I have not quite finished. I want to try and give you some concrete examples, so you look at issues like those two and what you say is because there is a complete spectrum in terms of energy consumption how can we come to an agreement that, for example, those at the lower end are no longer produced? At the moment we are working with voluntary initiatives and agreements and so on and so forth; it is possible to legislate but with legislation you would be talking about European-wide legislation, so if we can get voluntary agreements on products we can make more progress. The industry is up for it and is working well with us, and the end result of that is not that there will not still be a range, because you have got competition issues and people will want, to a degree, to keep a range of prices, but the average of the fleet of whatever products you are talking about will be at a better level in terms of energy efficiency, and that is what this detailed work that is being done by Defra at the moment is leading to, and where we are getting extremely good co-operation. There are other initiatives which are European-wide, proposals such as keeping standby down to one watt, which again are being worked on internationally, so there is a huge amount of this work that can be done, with the aim that you have described.

Q316 Martin Horwood: Just on the EU, as long as you are delivering a level playing field for all products and saying whoever the manufacturer is and whatever the source of the product, this is the standard below which no product on the shelves should fall, you do not need an EU-wide agreement for that, do you? As long as it is a level playing field, surely that is right.

Joan Ruddock: We will have a quick think about that; I thought we did, but maybe I am wrong.⁴ What I would say to you is of course you have to remember that your manufacturers and your retailers are now increasingly European-wide, so they do not particularly want to work and certainly they do not want to face legislation in a single

⁴ *Note by witness:* The legal position on applying mandatory environmental standards on products at a national level is complex, particularly in relation to international regimes on barriers to trade. In the context of the kind of energy-using products being discussed here, the fact that there is now framework legislation in place at EU level, with formal processes already under way for determining new standards in many of the product areas, means there would indeed be constraints on the scope for regulation at a national level, as well as the issues of practicality.

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country because that is obviously problematic, but they are happy enough to progress these voluntary agreements.

Q317 Martin Horwood: It is great that you are pursuing this voluntary line and working with the industries involved, but would it not actually be a bigger incentive to them if you just looked like a bit of a scarier regulator, or even if you were trying to encourage scarier regulation at European level to try and shift them to more environmentally friendly products faster?

Joan Ruddock: Not necessarily. They know and we know that legislation, whether it is European-wide or whether it can be done on a national basis, is always an option and to a degree things are often pursued in parallel which is what is happening with light bulbs, that will be legislated for at a European level, but we have got our own initiative which is actually progressing faster, so it is not necessarily that the regulatory path produces a faster result, but we never rule that out. We are the first country to set ourselves this absolute limit on emissions; once we have got that in place clearly we have got to consider all the possible tools to drive down energy consumption.

Q318 Martin Horwood: Another area where you seem pretty reluctant to regulate is with the labels themselves where you have almost taken a market-led approach. You said in your memo, "As with brands generally the promotion of different schemes is a matter for label owners". I have a background in brand marketing and brands are about competitive advantage and positioning, but surely allowing labels to compete actually defeats the object in this case because the whole point of having good consumer power in this area is that the labels are consistent across all products and therefore consumers can make a choice based on consistent labelling. If you allow competition between labels, surely that defeats the object, does it not?

Joan Ruddock: Again I would say not necessarily because some of the labelling is produced by people who have the expertise for their own particular stores and operations and have their own following in terms of customers, so it is not always the case that if we as government had to think up something we would end up in a better place than some of the initiatives that have been taken. Some of you might have heard this this morning in relation to food labelling for health reasons; there we have seen three major systems developed over the period of time and the government has now become very clear that what we think would be the best way forward, and we are actually saying we need to have one system and everybody adopting it, and that will be better for consumers. We are certainly nowhere near such a point; in fact at the moment it is not obvious that we could ever come to such a point if we wanted to take all environmental factors into account.

Q319 Martin Horwood: Would you at least go as far as endorsing certain labels and not others? There is an increasing proliferation now of Fairtrade labels,

or at least two mainstream schemes and possibly others that look as though they might be something to do with Fairtrade. Would you consider endorsing some labels and refusing endorsement for others? Would that not increase consumer trust?

Joan Ruddock: That is a moot point, but I have already described the extent to which we feel we can give the information which does amount to saying, for example, with the Energy Saving Trust, that is becoming or probably has become a trusted labeller and we very much promote that energy saving label, so there is a degree of promotion, there is a degree of support and encouragement that we give, and we will do that where we think we are getting the best outcomes.

Q320 Martin Horwood: That is a valid approach, but one of the problems is that if you have different markets in different sectors, each establishing their own favourite labels, sometimes more than one labelling scheme within each market or each set of criteria, we are beginning to have a proliferation of labels that you talked about, which is quite confusing. The EU had the eco-label initiative, trying to create a generic one that might be available whether you have a bank account or an egg; why has that not succeeded in the UK, why has it not done better?

Joan Ruddock: It has not done better because not enough companies have adopted it. We have, I believe, about 500 companies that have adopted that particular label across the EU, some of them quite small, and we regard that as a great shame because we think it has got great potential and the mechanism by which the work is done to bring the company, the product or whatever to the point at which they could receive the label, that work is incredibly important work. It is very well done, it is independently assessed and therefore we believe that that is a way forward and we are very keen that because it has got great potential it should become more visible and could work much more directly with other product policies.

Q321 Martin Horwood: Member States are required by law to promote it, are they not? Have you promoted it?

Joan Ruddock: I am very sorry to have to ask my officials, but I am afraid I do have to ask them. Bob.

Mr Ryder: We promote the scheme in the usual ways through website materials and leaflets but also in—

Q322 Martin Horwood: How many leaflets have you produced promoting the scheme?

Mr Ryder: Most of them are offprints from on-line material, but over the last ten years we have produced a number of small supplements.

Q323 Martin Horwood: What is the print run?

Mr Ryder: In tens of thousands, it has not been a large circulation, but the scheme has been advertised in some of the environmental magazines and business magazines. It is something we promote occasionally at conferences, events and road shows and the like. The problem is that it is a hard

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campaign to promote when the underlying demand for it is so small, and there are inherent problems, as the Minister has said, in the way the scheme is constituted at the moment.

Q324 Martin Horwood: What are the inherent problems?

Mr Ryder: Basically when the scheme was created in the early Nineties under European regulation it was done under a regulation and the whole decision-making process of the European eco-label is carried out through a regulatory committee structure which is slow, very bureaucratic and burdensome and inflexible. It means that decisions are taken a long way away from where the market currently is.

Q325 Martin Horwood: Why do you not promote something which has the same objective of being a generic label that will remove at a stroke a lot of the confusion which consumers feel? There is Tesco's model, Nature's Choice, why not have a nice light-footed committee that can look at a range of criteria very quickly and come to conclusions fast? Why could you not promote something like that as a government-sponsored initiative?

Mr Ryder: That is the kind of decision-making model that we have been advocating quite strongly at an EU level as the direction that the EU label itself should take, that it should be taken away from the regulatory structures and made much more flexible and close to the market, but short of at the national level devising any sort of ideal scheme that can deliver some of these things I think the other route we can use is encourage companies or sectors that are developing schemes for their specific needs to look at the existing guidance. There are some very clear cut principles about the need for transparency, of life cycle assessments, clearly labelling the most significant elements of the product, and the schemes which we have encouraged to date have been those that fit that template of the ISO work and, in future, if further schemes develop along those lines, those are the ones we would like to see.

Q326 Martin Horwood: You are very wisely using the resources of BSI and things like that to do the complex work behind, but are you saying that with all your grandly named teams in the department you would not have the capability of developing a generic label if you decided that was the right course of action?

Joan Ruddock: What we need to do is see the outcomes in Europe on this because we have made a pitch, as Bob Ryder has said, we have given advice as to how we think it needs to be changed to make it work, and that is from work in this country from our experience. We actually believe the label itself is worth having, so before we try to find a marketing guru in the department who can come up with the best labelling scheme ever devised, I think this potentially still remains a good way forward, we ought to try to make it work and we want to see the outcome from the revision that is going on.

Chairman: Given our time constraints we will have to move to the final section of questions. Joan.

Q327 Joan Walley: Can I say, Minister, how good it is to have you before our Committee for the first time, and I am conscious of your time constraints as well, so I will be brief because some of the issues I wanted to raise have already been touched upon. If I can try and bring it to a close, really, a number of witnesses have said to us that they are concerned about the over-proliferation of labels in the food-labelling market, and that does raise questions but not necessarily agreement that there is or there is not. What is your view on that?

Joan Ruddock: We are all agreed that food is probably the most difficult area in which to produce labelling that is going to be effective. There is already a great deal of labelling that is required in terms of the safety of the food, and obviously the food labelling as such is EU-competent again, so there are those limitations on anything that is done of a statutory nature with regard to food. As I touched on earlier, what we now know is that the voluntary agreements that have been developed in this country, primarily the traffic light scheme and other variants of that, can be rather effective, and what the public have told us is that of course they do want to have just one label which is essentially the nutritional and health aspects of food labelling, and that is something that the Government is proposing now to take action on, and there has just been an announcement from the health secretary to that effect. We are tackling that, therefore, but that is food labelling from the aspect of health rather than the aspect of the environment. On the environment it is the work with farming methods and with food production where new work is going to be undertaken to see if we could bring in some more comprehensive labelling system that could either be used alongside or instead of the huge proliferation of valid claims, but different claims, that are already out there.

Q328 Joan Walley: Would that accommodate, if you like, some kind of regulatory function as well, if Defra tried going down that route or is that too soon?

Joan Ruddock: It is a bit of how regulation is. It would be far too premature to suggest that we would end up in a place where we said there had to be mandatory labelling, but there is a degree of regulation that comes in terms that if you try to change practice to a particular end, there may be some regulation related to some aspect of farming which could occur, but I do not think in relation to some generic label at this stage, who knows?

Q329 Joan Walley: Really in respect of what you have already said about the possibility of a generic standard, and that is the route that you are going down, what do you think that would mean for products approved by the standard, would they carry a recognisable label?

Joan Ruddock: That would be potentially the case and it is clearly desirable because we know that the public would like that, but again this argument has been rehearsed over and over this afternoon. The public only want to have labelling that actually is

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very clear and precise and which they can trust, and the great difficulty in this is how would it be possible to produce such a label to encompass the many environmental goals that we have in relation to food or indeed any other products; that is where the difficulty lies. What the Government is most concerned about is the environmental goals in themselves so, for example, if you want to reduce carbon emissions—and that would be very significant in agriculture—there are many, many processes, some which could and should possibly be regulated that would lead to carbon reductions but may not necessarily lead you to be able to produce a meaningful label. If I might just, for a second, return to what Mr Horwood said about Marks & Spencer—and they have got their A-plan—one of the things that we know if we are working in this area is that the public could be satisfied, not by a label being on every individual product, but if for example they believed and it could be proven that that particular company had all its products reaching a certain standard, that would be simpler for the consumer, but again arriving at that point is also extremely complicated, but it could be done.

Martin Horwood: Can I just ask quickly there, are you not making a bit of a meal of this because Tesco have effectively done this already with their Nature's Choice scheme. They have a system which includes pollution, protection of human health, use of energy, recycling and they have got gold and silver and bronze levels, they have done it. Why can you not do it?

Joan Walley: Chairman, we are not into a Tesco road show here, are we?

Q330 Chairman: We had best move on because we only have a minute or two until half past.

Joan Ruddock: I will leave that question to hang in the air; let me address Ms Walley's questions.

Q331 Joan Walley: I just know that time is so limited because of your other commitments in the House. When we interviewed the NFU earlier they raised the question whether or not consumers were ready to pay extra costs which might be incurred by extra standards, and of course we have had a little bit of a flavour of that with the Jamie Oliver television shows just recently. Does Defra have a view on that, do you have a view on that?

Joan Ruddock: The evidence—and it has to be evidence rather than my opinions—indicates that the organics market has grown very dramatically in the last few years and it has grown on the basis of premium price, so we know there is a segment of the population prepared to pay and they will pay and they will change markets and they will create markets. All of that happens and people have got used in this country to cheap food and to the price of food being driven down; if we now, as we must, move both here and throughout Europe into a low carbon economy, there will be costs associated and where costs arise they will eventually, no doubt, be

passed to the consumer. But we have to begin to think in the round because at the end of the day all our lives will be very adversely affected if we do not tackle climate change, so there may be short term costs which seem to the consumer to be a million miles away from tackling climate change, but ultimately those are considerations that will impact upon most aspects of consumerism, I suspect.

Q332 Joan Walley: Is Defra in discussions with your counterparts who have responsibility for farming? Do you have contact there because obviously there is a balance as well, is there not, about maintaining the farming industry at a time when there are lots of changes to regulations and the way that farming practices are actually carried out. Is that something which is part of the overall culture?

Joan Ruddock: I do not have directly any responsibility for farming, but I have a responsibility for public engagement on climate change, and I have already addressed a number of conferences which have been very well attended by farmers and by land-owners, and I have to say the response from them has been very positive in terms of understanding that all sectors of the economy will have to make adjustments and that we literally are in this together when it comes to addressing dangerous climate change. Of course there has to be a balance, but increasingly with climate change becoming an imperative in government there is the need and there is the practice to join up our thinking and to try to work more holistically. Farming of course is dealt with within Defra, so it is not as though we are dealing with another government department, and the ministers certainly share information and discussions on these subjects.

Q333 Joan Walley: Briefly, if I may ask this very last question, the current carbon labelling proposals which are currently being promoted by the Carbon Trust, in the light of the comments we have had from the Sustainable Development Commission, that maybe we should not just be looking at carbon, we should be looking at carbon in the round and the whole aspect of sustainable development, does Defra have a view on that? Is there a risk that other issues such as chemical or water use could be marginalised if we just look singularly at a carbon label rather than at a wider environmental standard label?

Joan Ruddock: They make a very good point, and again we have had to look at this in terms of the public engagement, because we started speaking to people just about things that were essentially about energy consumption. Now we progressively want to move on to include water. We have done a lot of work on waste, so we do have an understanding of what sustainability in the round is within the department. At times there has to be a focus and there have to be priorities, but at the end of the day these things are tremendously inter-related. The major issues concerning water again can be very much related to climate change and to adaptation to

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climate change so we do understand those points. As regards the work of the Carbon Trust, this is very interesting work and we are looking at it carefully. What we believe is that the work that is being done to produce the carbon foot-printing of the whole life cycle of the products is more significant and more important than any label that might result from it, it is that work, it is that understanding, which can condition how we make transformations within our products and services.

Q334 Chairman: In the final remaining three minutes I wonder if I could ask you about the potential for green tariffs in the electricity market, because there are only 200,000 people in the country who have actually chosen to go onto a green tariff and they may effectively be paying twice for green electricity, first through their general billing if you like, and that is the renewable obligations, and then possibly with some of these tariffs there is an extra burden for that particular company. Do you think we should have more information for electricity purchasers to explain this, because actually we need to encourage them to go on to green tariffs wherever possible. Is that an area in which Defra might express any view,

do you think? I know it is not really Defra's responsibility, but it is something which is emerging as an issue.

Joan Ruddock: I agree with you that it is emerging as an issue. I am also on a green tariff, I am pleased to say, and my colleague Phil Woolas is certainly working on better billing and better labelling of fuel bills, so there is work going on in the department. We know that these matters are an issue and certainly when we do our Act on CO₂ and lead people through advertisements to our carbon calculator, one of the things we say is now that you know what your carbon footprint is, if you would like to reduce it there are things you can do, and obviously this is one of the ways. So we do promote, to an extent, people acquiring green electricity, we do think that it is very important to have better information, and that is on quite a wide front with regard to billing, I know the work is going on and I will ask the appropriate officials just to drop the Committee a line in case there is anything more that they can usefully tell you.

Chairman: Thank you very much for being with us this afternoon; a very good finish to our inquiry. The report will be out soon. Thank you very much.

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Written evidence

Memorandum submitted by Munloch GM Vigil

You will all be aware that any foodstuffs that contain, or have been made using GM foods must be labelled. It is also the case that GM animal feed must be labelled.

Due to worldwide consumer rejection of GM foodstuffs, GM food is effectively only found in unlabelled highly processed food in the USA, and in animal feed. Some estimates point to 90% of all GM food produced (ie not including GM cotton, and maize used for biofuels) ends up as animal feed.

Animal products made from animals fed on GM feed do not have to be labelled in the UK (or EU). This includes milk, eggs, cheese, and of course meat products themselves. This situation seems to be a glaring oversight, and a major hole in UK (and EU) labelling legislation.

The simple, but very important issue of consumer choice, of course applies here, especially with the issue being GM crops and food, where consumer rejection (in the UK and globally) has been greater than that of any other food product in history, in spite of much propaganda and expenditure from those with vested interests to sell it.

However, GM crops also bring environmental concerns. GM contamination, increased pesticide usage, greater intensification of farming methods, deforestation, environmental degradation, habitat loss, displacement of small farmers, and concentration of seed businesses (due to patenting and the costs of R and D).

When it is also noted that the majority of imports of GM animal feed into the UK (and EU) are of GM soya from Argentina and Brazil, the environmental and social issues outlined above, are placed into an even starker focus.

With all this in mind, it seems clear that for the sake of consistency and validity of GM labelling, (and of environmental labelling per se?), products derived from animals fed on GM animal feed should be clearly labelled as such.

October 2007

Memorandum submitted by Natural England

1. INTRODUCTION

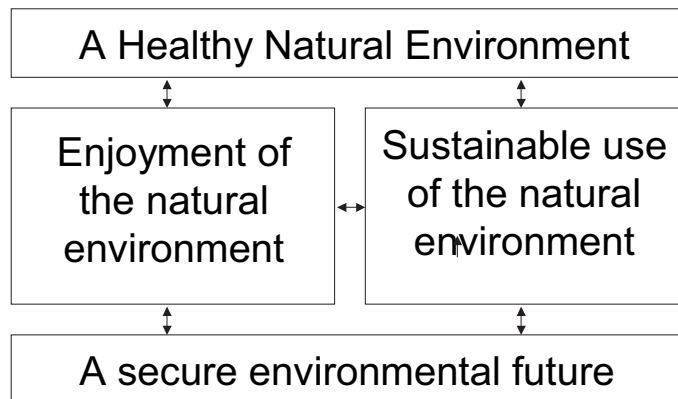
1.1. Natural England was established under the Natural Environment and Rural Communities Act 2006. Natural England was formed by bringing together English Nature and parts of the Rural Development Service and the Countryside Agency.

1.2. Natural England has been charged with the responsibility to ensure that England's unique natural environment including its flora and fauna, land and seascapes, geology and soils are protected and improved.

1.3. Natural England's purpose as outlined in the Act is: "to ensure that the natural environment is conserved, enhanced, and managed for the benefit of present and future generations, thereby contributing to sustainable development".

2. STRATEGIC OUTCOMES FOR NATURAL ENGLAND

2.1. To achieve our purpose, Natural England has defined four strategic outcomes which will provide the focus for our activities and resources. The way in which these outcomes link together to conserve and enhance the natural environment is illustrated below.



2.2. To achieve these outcomes Natural England will:

- support individuals, organisations and business to take action to conserve and enhance the natural environment.
- increase the opportunities available for people to make the natural environment an enriching part of their every day lives.
- develop and promote sustainable solutions to environmental problems at a national, regional and local level and make the social and economic case for the natural environment.
- bring together organisations and individuals that influence and shape our environmental future, to achieve long term conservation and enhancement of the natural environment.
- play a role in international efforts to protect and enhance the natural environment through sharing our expertise, advice and advocacy.

2.3. Natural England will do this by applying an appropriate mix of advice, incentives and regulation according to the international, national, regional and local challenges that the environment faces.

3. OVERVIEW AND SUMMARY OF NATURAL ENGLAND'S RESPONSE

3.1. The market for food and other natural products, including via consumer demand, is a key driver of farming and fishery management. This in turn is a major factor influencing the natural environment in England.

3.2. Government, business, consumers, and civil society have a shared responsibility for encouraging more sustainable farming, fisheries, and food production. Informed consumer choice can help initiate and accelerate markets for food products with environmental credentials and standards.

3.3. All food producers, manufacturers, retailers and caterers should provide accurate, honest, and transparent information about the products sold and meals served. They need to inform and educate shoppers and diners about the place, seasonality, and methods of food production. Accurate and informative labelling is important, particularly in situations where consumers do not have the opportunity to communicate directly with farmers and food producers.

3.4. Natural England advocates labelling schemes and regulations that can better inform consumers of the provenance and production methods of food, and leave no ambiguity about the origin and sustainability of products and their ingredients. We encourage voluntary labelling and certification schemes to include information about the products' qualities, methods of production and place of origin.

3.5. In summary, our response advocates that environmental labelling must take account of all environmental impacts of products from production to consumption, including in particular all impacts on the natural environment:

- In the long term, Natural England would like to see the majority of products carry an environmental label based on evidence from Life Cycle Analysis (LCA);
- But as LCA is time and resource intensive, it will take time and may only be appropriate for products from larger manufacturers and retailers;
- In the interim, all businesses need to inform consumers of the "Product" qualities, "Place" of production, and "Process" of production, preferably in an integrated manner.

4. PRODUCTS REQUIRING LABELLING

4.1. In 2001, research found that most voluntary food labels generally aimed to inform the consumer of either the *Product* characteristics, the *Process* of production, or the *Place* of production.¹ Beneficial land management can be both an explicit driver for labelling initiatives or, as is more often the case, an implicit or assumed consequence.

4.2. Beneficial environmental consequences, where they do arise, are achieved in the following ways:

- Through the protection, maintenance and encouragement of existing forms and practices of food production that are often “traditional” and therefore considered (rightly or wrongly) to be more environmentally friendly than what would replace them if the labelling scheme did not exist, either through intensification or withdrawal;
- The promotion of particular territories in order to reinforce local identity and thereby raise the visibility and viability of a particular landscape, environment and/or culture;
- The active promotion of new and alternative production techniques that are considered to be environmentally friendly, such as, most notably, organic schemes;
- By addressing particular environmental issues, such as soil erosion and encouraging farmers to use techniques that seek to reduce the problem on their land.

4.3. *Process labels* were found as the most likely to have explicit environmental components built into them. Product labels most commonly employ implicit or assumed environmental benefits. Place labels were likely to be the weakest in terms of including explicit environmental standards.

4.4. There is therefore potential for better integration of the elements of Product, Place and Process in existing labels, and possibly some degree of rationalisation and/or integration of schemes. For example, Place labels indicating the Process of production, using existing or tailored Process schemes/standards.

4.5. For food, it is not compulsory to show on a label the process of production, apart from two exceptions:

- Eggs: these are now required to indicate whether they are “cage”, “barn”, “organic”, or “free range”;²
- Fish: requires origin (fishery/country) and production method (wild or farmed, but not capture method used (eg line caught)).³

5. WHAT SHOULD BE SHOWN UNDER A LABELLING SYSTEM

5.1. Natural England advocates that the natural environment is fully represented on (or within) accurate, transparent and honest environmental food labels and their associated standards, in a way that reflects the impacts of production and the particular qualities of the place of production.

5.2. For marine fish and seafood, although regulations require the labelling of the origin (fishery/country) and production method (wild/farmed), this is both poorly enforced⁴ and is not an indication of the sustainability of the fisheries.

5.3. The only voluntary label with any degree of consumer recognition is the Marine Stewardship Council (MSC) label, which we believe is currently an adequate indicator of sustainable fisheries to inform consumer choice (along with the legal requirement of origin and wild/farmed).

5.4. We would not support the development of further environmental labels relating to marine fisheries, unless they provided assurance of additional protection of the marine environment (for example, associated with the strict environmental management controls provided by Marine Protected Areas) and complied with the United Nations’ Food and Agriculture Organisation’s Code of Conduct for Responsible Fishing.⁵

5.5. As yet, there is no systematic way to evaluate the absolute and relative environmental performance of farming systems. However, we have good evidence for the delivery of biodiversity benefits from organic farming systems and, to a lesser extent, of the benefits of Integrated Farming systems.

5.6. As such, we believe Organic labels and the Leaf Marque are currently adequate for providing shoppers with an indication of the sustainability of the process of primary food production used in farming. (Paragraphs 5.16–5.20 cover work needed to enable all environmental impacts to be covered more fully in future).

¹ Buller H et al, *Foreign product labelling schemes and their applicability in the UK*, for the Countryside Agency, 2002.

² Council Regulation EC 5/2001 requires all Class A eggs and the labelling of their packs sold at retail level within the EU to be marked (stamped) with a code identifying the method of production (i.e organic, free range, barn or cage).

³ European Commission (EC) Regulations 104/2000 and 2065/2001 require that certain fish and fish products are labelled at retail sale with the name of the species (eg cod, salmon, etc.), the production method (ie whether caught at sea or farmed, etc) and the catch area or country of origin.

⁴ Food Survey Information Sheet, *Production Method and Geographic Origin of Fish*, FSA, 2007.

⁵ See <http://www.fao.org/docrep/005/v9878e/v9878e00.htm>

5.7. We would not support the development of more labels making claims of environmental advantages or standards in primary food production unless they were integrated with or encompassed those existing schemes and their labels.

5.8. Other Integrated Farming labels/schemes should become part of, or be replaced by, Leaf Marque or a new “Green Farming Standard”. These schemes should require an indication of origin or place on the label/s.

5.9. For place, an assurance of origin is important. As a minimum this should be an accurate and honest statement of Country of Origin (according to Food Labelling Regulations 1996 and guidance issued by the Food Standards Agency,⁶) including for main ingredients of composite or processed products and meals (eg the origin of beef in a beef casserole meal).

5.10. Preferably labels should also state the area of production, such as the county or Joint Character Area (eg Cotswolds).⁷ We also support labels which state the name of the farm or farmer/business that has produced the food or main ingredients of products. This will help to reconnect consumers with the producers and with the natural environment where the food is produced.

5.11. Place-based label standards should include an assurance of, at least, a basic level of environmental protection and preferably higher level. For example, the Certificate of Provenance (which assures that products have come from the stated county) requires all fresh produce to be either Organic or Leaf Marque certified (or equivalent).

5.12. We would highlight the fact that there are currently almost no mechanisms by which the public can choose food produced by farmers participating in Environmental Stewardship or other agri-environment schemes who are managing their land for wildlife, landscape character, public access and the historic environment.

5.13. To investigate ways to address this, Natural England is supporting a place-based environmental certification scheme in the Peak District (the Peak District Environmental Quality Mark (PDEQM)), together with the Peak District National Park Authority and others.

5.14. The PDEQM is enabling consumers to reward farms and businesses that are looking after the special qualities, habitats and features of the Peak District National Park. The EQM has its own logo which appears on the products of the certified businesses. See Annex 1 for details of the governance and verification procedures.

5.15. The PDEQM covers four product groups or services: Farming, Food & Drink, Crafts, & Accommodation. Each has its own set of standards, but are integrated. For example, the accommodation standard requires that the business offers some EQM certified food and drink. Copies of the standards and other information is freely available on the Internet.⁸ The EQM does not have national consumer recognition but is well-known by residents and visitors to the National Park and as such is important for the area.

5.16. We support the meaningful representation of all other environmental impacts (eg GHGs) along supply chains to consumers. Ideally, every nationally available food product in the market place would have a measure and associated label of all the environmental impacts from the inputs to primary production to point of sale.

5.17. Currently, the most robust methodology for determining this is Life Cycle Analysis. However, Life Cycle Analysis, due to this complexity, is resource and time intensive to undertake.

5.18. Life Cycle Analysis methodology also has a number of shortcomings, in that:

- It is currently unable to include the impacts on the natural environment, including biodiversity and landscape character (as there is currently no methodology for including these impacts);
- The impacts of transporting food will vary depending on how far the store is from the distribution depot (as well as mode of transport and efficiency of distribution system), so, each label would need to be specific to where the food is sold.

5.19. Until these difficulties are overcome, and for smaller food producers, manufacturers and retailers, we suggest the best approach currently is for labels to provide information about the Product’s qualities, the Process of production, and the Place of production.

5.20. Further information about the other environmental impacts, such as GHG emissions, could be added if a multiple environmental or sustainability label was proposed by government and/or industry.

⁶ See <http://www.food.gov.uk/foodindustry/guidancenotes/labelregsguidance/originlabelling>

⁷ England has been divided into 159 areas with similar landscape character, called Joint Character Areas (JCAs). See <http://www.countryside.gov.uk/LAR/Landscape/CC/jca.asp>

⁸ See <http://www.peakdistrict.org/index/looking-after/eqm.htm>

6. HOW ENVIRONMENTAL LABELS COULD CONVEY INFORMATION ACCURATELY TO THE CONSUMER

6.1. For an environmental label intended to cover all nationally available food products (similar to the current nutrition signpost labelling), the evidence suggests that a traffic lights representation may be easiest for consumers to be informed at a glance,⁹ although, as above, the measurement or scoring system would be highly complex to cover all environmental issues.

6.2. For multiple environmental (farming, natural environment, origin, climate change, etc.) and/or sustainability aspects we suggest that a traffic light system combined with a flower or wheel diagram could be explored and tested with consumers.

6.3. If industry, government and/or voluntary organisations intend to develop an environmental label intended for all food products, we should seek to avoid the problems encountered with nutrition labelling where the government and different businesses have become polarised around two competing schemes (Traffic lights vs. GDA).

6.4. For labels intended to only cover some food products that meet minimum standard in terms of the process of production and place, we suggest a “Good, better, best” approach (Bronze, Silver, and Gold award) may be the most appropriate for conveying information about the relative performance of products.

7. CARBON LABELLING

7.1. We welcome The Carbon Trust’s and Defra’s work with BSI British Standards to develop a Publicly Available Specification (PAS) for the measurement of the embodied greenhouse gases (GHGs) in products and services, as it is critical to use a consistent methodology to ensure fairness and comparability between products and measurability of progress.

7.2. We have, however, concerns that numerous different labels representing carbon dioxide, greenhouse gas emissions, or mode of transport, will create confusion and not enable consumers to make informed choices and adopt “low carbon” diets.

7.3. Although we welcome the fact that the PAS will incorporate all GHGs (through CO₂ equivalence), rather than just carbon dioxide, we would advocate that the information generated is presented in a standardised way and combined with other information, particularly (as above) the process and place of food production and management of the natural environment.

8. THE CASE FOR RATIONALISING ENVIRONMENTAL LABELS

8.1. In 2000, a study found that 68 per cent of consumers seek information from labels when making food purchase choices.¹⁰ As the National Consumer Council (NCC) research¹¹ on labelling found, food labels are currently more likely to confuse and mislead consumers than inform them. However, the NCC’s research also found that, if used properly, credible labelling schemes have the potential to inform consumers and differentiate products.

8.2. It should be noted that consumers are not a homogenous group. Consumers are interested in a range of values, some of which may be shared, others may be distinct. Although some logos may be less well understood or recognised by all consumers, different groups may have a good awareness and understanding of those of particular interest to them.

8.3. Hence, we do not see that the problem of confusion is always necessarily one of proliferation. But we do advocate that voluntary labelling schemes need to be consistent and transparent with credible rules and standards. Consumers also need access to this information through websites and other means.

8.4. With regard to carbon or greenhouse gas labelling, as above, we see the value in a consistent approach to measuring GHGs and potential in representation of this in a wider multiple environmental or sustainability label.

8.5. Similarly, if Product, Process and Place labels could be combined or integrated, this would make it easier for consumers to make informed choices across a range of interests and could present opportunities for greater understanding of particular labels in the future.

9. THE IMPACT OF ENVIRONMENTAL LABELLING ON CONSUMER BEHAVIOUR

9.1. Consumer behaviour in any particular situation is a function partly of attitudes and intentions, partly of routine responses and habits, and partly through the situational constraints and conditions under which people live. Intentions in their turn are influenced by social, normative and emotional factors as well as by rational considerations.

⁹ see evidence from Signpost Labelling research for the FSA.

¹⁰ MAFF, *Consumers Attitudes to Food Labelling*, Ministry of Agriculture Fisheries and Food, 2000.

¹¹ NCC, *Bambozzled, Baffled, and bombarded*, National Consumer Council, 2003.

9.2. Evidence suggests that credible labelling is one way of informing and providing assurance to consumers, especially when there is a lack of direct contact or opportunities to converse with the producers of the food.¹² Other ways of providing assurance include formal endorsements, rating systems, articles, awards, and word of mouth.

9.3. Product information from companies on packaging was rated the most important channel for information when judging companies by 43% of respondents in research by the National Consumer Council.¹³ However, it should be noted that some labels have low recognition amongst the majority of consumers, and better and more accessible information about the meaning of different labels would be valuable.

9.4. We suggest development of a consumer guide which shows and describes all food labels, summaries the schemes' aims and standards, states whether they are independently verified or not, and provides further information. Defra's "A shopper's guide to green labels"¹⁴ and "Directgov—greener shopping"¹⁵ are useful first steps towards this.

10. THE REGULATION OF ENVIRONMENTAL LABELS

10.1. The Peak District EQM, as described above, is awarded after rigorous assessment to defined standards and consideration by an independent Awards Panel. We have provided a summary of the governance, assessment, monitoring, and enforcement procedures for the Peak District EQM in Annex 1.

Also see Products requiring labelling and International labelling rules below.

11. INTERNATIONAL LABELLING RULES GOVERNING FOOD ORIGIN AND PRODUCTION METHODS

11.1. It is possible to develop international labelling rules for methods of production, such as international organic standards or integrated farming criteria. This requires consistency of principles and generic standards for different countries.

11.2. However, prescriptive, universal standards may not take into account local and regional differences—and so may only be general rules, or risk leading to a uniformity or loss of distinctiveness of the character of places. To accommodate local variations, international conditions relating to a global environmental labels need to be flexible.

11.3. EU rules governing Country of Origin labelling are not sufficiently strict to ensure consumers are well informed and are not misled. For example, pork which has come from pigs born, reared and slaughtered outside the UK, can currently be described as "British Bacon" if it has been cured in the UK. Similarly, orange juice labels are not required to give information about the origin of the oranges used.

11.4. Some countries have been particularly vocal in arguing that governments who require labelling of, for example, country of origin or processing and production methods are erecting unjustifiable, and therefore illegal, barriers to trade. However, it is helpful that the WTO overturned its previous two decisions, in the shrimp-turtle case. This means that countries are allowed to specify processing and production methods, for example to protect wildlife, so long as these are not applied in a discriminatory way.

11.5. We recommend that the UK Government and other member states should consider amendment of relevant EU and WTO rules to allow distinctions to food products to be made and to enable consumers to choose between food products based on the place and methods of production. This reform should include:

- compulsory labelling of the Country of Origin in the EU of the main ingredients of all composite or processed food products;
- wider recognition that it is proper for WTO members to distinguish between products on the basis of process and production methods in their marketing regulations;
- enshrining the rights of countries to require the mandatory labelling of the origin of food and agricultural products, and to protect the names of foods with cultural, historical, environmental, and social significance.

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¹² NCC/AccountAbility, *What assures consumers?* NCC/AccountAbility, 2006.

¹³ *What Assures Consumers?* Opinion Research by GlobeScan on behalf of AccountAbility and the National Consumer Council, 2006.

¹⁴ <http://www.defra.gov.uk/environment/consumerprod/shopguide/index.htm>

¹⁵ <http://www.direct.gov.uk/en/Environmentandgreenerliving/Greenershopping/index.htm>

Summary of assessment, monitoring and verification procedures for the Peak District Environmental Quality Mark (PDEQM)



PROTECTING THE PDEQM IMAGE AND STANDARDS

In the development of the Peak District Environmental Quality Mark (PDEQM), the protection of the image of the PDEQM in a formal manner was considered necessary in order to control its use to only those businesses that achieve the award, thus ensuring it remains meaningful. An advantage to the Peak District National Park Authority (PDNPA) was that it can retain control of the Standards of the PDEQM by setting terms and conditions governing the use of the mark. A significant advantage to businesses was considered to be an association with the PDNPA image and reputation if a logo clearly related to the Peak District and the PDNPA was chosen as an integral element of the trademark.

Of the various forms of protection offered through the Patent Office, a certification mark was judged to be the most appropriate format for PDEQM award holding products and services. A certification mark indicates that a product is of a certain quality or has certain characteristics. The characteristics are defined by an associated set of regulations governing the use of the certification mark. The Regulations Governing the Use of the Peak District Environmental Quality Mark (referred to as the Regulations) were modelled on those of the Pembrokeshire Produce Scheme. Having this model to follow contributed to the proposed PDEQM Regulations being accepted upon first submission to the Patent Office.

The Regulations define:

- the PDNPA as proprietor of and the certifying body for the PDEQM
- the goods and services which the PDEQM can apply to;
- the characteristics to be certified by the mark, specifically that the goods and services “contribute to the conservation and enhancement of the Peak District National Park protected landscape and also minimise negative impacts on the wider environment”;
- the processes for application, assessment, renewal, enforcement and appeal.

LICENSING THE USE OF THE PDEQM

Following registration of the PDEQM with the Patent Office as a certification mark, the PDNPA became the official proprietor of the scheme. The PDNPA can grant licences to use the PDEQM to businesses that are judged to meet the criteria of the relevant PDEQM Standard. The licence is for one year only and takes the form of a “Certificate of Award”. The Regulations require that the licensee must display the licence certificate at their premises that are open to their customers and the public. Before issue of the licence, the award recipient must sign a formal agreement that states they will abide by the requirements of the PDEQM Standard and the Regulations. The formal agreement also details any targets that have been agreed to achieve full compliance with the PDEQM Standard over the award period.

APPLICATION AND ASSESSMENT

To apply for the PDEQM, an applicant expresses their interest by submitting a completed application form to the Project Officer. The application form expresses each requirement of the relevant PDEQM standards in question form and requires the applicant to choose a response from the options “Yes”, “No”, “Don’t know” or “Will do” and “Need help with this”.

Upon receipt of a completed application, the Project Officer undertakes an initial assessment of the applicant’s business by desk research and a visit to the applicant at their place of business, to gauge the extent to which the applicant meets the relevant PDEQM Standard. The site visit takes the form of an informal interview with the applicant, seeking verbal confirmation that each of the criteria of the Standard is fulfilled, and also a visual inspection of the business premises, product, ingredients, raw materials etc., where appropriate. The “tests” that may be applied during this process are defined in the appendices of the Regulations. In practice, application forms are often filled in with the assistance of the Project Officer during a site visit.

For Farming award applicants, in addition to the submission of a completed application form, assessment of the condition of the land managed by the applicant is undertaken through ecological, archaeological, and buildings and boundary surveys. These are undertaken by PDNPA survey teams, or consultants, depending upon personnel resource availability. The results of the farm surveys are assessed using a GIS. The percentages of habitats, archaeological features, boundary features and traditional buildings in “good” conservation condition are calculated using the GIS (the definitions of “good” for the various features are given in the PDEQM Farming Standard). The results can then be compared to the PDEQM Farming Standard to see whether the farm meets the criteria of the award.

Often a business will largely meet the appropriate Standard but some minor actions are required before full compliance is achieved. In these cases targets are agreed with the applicant to enable full compliance with the Standard over an appropriate timescale.

The answers submitted on the application forms, additional information provided through interview and the visit with the applicant, and in the case of farming applications the results of the farm surveys, are incorporated into an application report. This report is passed to the applicant for comment before being submitted to the independent Award Panel. The report contains the Project Officer’s recommendation to the Award Panel as to whether the applicant should receive the award. It also includes recommendations for targets to achieve full compliance, where appropriate.

MAKING AWARDS AND THE ROLE OF THE INDEPENDENT AWARD PANEL

Research recommended the use of third party assessment of applications to bolster the credibility of the PDEQM. Although the PDNPA is a third party in relation to the award applicant, there is a potential conflict of interest that arises from the PDNPA being both the body setting the standards of the scheme and the body promoting the scheme. An independent Award Panel was therefore appointed to assess award applications.

The Award Panel is made up of representatives from 10 organisations with administration support from the PDNPA. The core of the Award Panel representatives are made up of representatives from each of the PDEQM funding bodies (but not PDNPA), a business development representative, a sustainable tourism representative and a representative of an environmental organisation. In addition to the core representatives there are sector specific award category specific representatives in three categories: “Tourism and Recreation”, “Arts and Crafts” and “Farming, Food and Drink”. A diagrammatic representation of the Award Panel structure is included in the appendices of the Regulations.

The Project Officer’s report is presented to the Award Panel for their consideration. The Award Panel then has the task of making a recommendation to the PDNPA (as legal proprietor of the certification mark) as to whether or not the applicant should be granted a licence to use the PDEQM in their marketing and promotional activities. The Award Panel may reject the Project Officer’s recommendations and set additional targets for the applicant if they deem this necessary to ensure compliance with the relevant PDEQM Standard.

The decisions made by the Award Panel are conveyed to the relevant PDNPA Director who considers the recommendations and chooses to endorse the PDEQM applicant or not. If the Director has reason to withhold endorsement from the recommended applicant, then the Chair and Vice-Chair of the PDNPA Services Committee are consulted before a decision is made. If the PDNPA Director decides to endorse the product or service, the Project Officer will draw up the licensing documentation which enables the applicant to become an award holder.

MONITORING AND ENFORCEMENT

The Regulations require that regular monitoring of award holding businesses be undertaken to ensure continued compliance. This includes prearranged assessments five to seven months after the award, “invisible monitoring” (mystery shopping), short notice checks and spot checks, and assessment upon renewal of the annual award. The “tests” that may be applied during monitoring are listed in the appendices of the Regulations.

If monitoring highlights non-compliance with the PDEQM Standard, the procedure as outlined in the Regulations is as follows:

1. The PDNPA shall explain in person and confirm in writing the actions required by the award holder to rectify the situation. The award holder has one month following this written statement to rectify the situation.
2. If after one month the award holder has not taken the required actions then the Project Officer will issue a “Cautionary Warning” to the award holder. Following this Cautionary Warning a further month is given for the award holder to rectify the situation.
3. If the award holder has still not taken the required actions then the Project Officer will bring these events to the attention of (i) the Award Panel, (ii) the appropriate Director within the Authority (iii) the Chair & Vice-Chair of the PDNPA Services Committee.

The process of withdrawing the licence to use the PDEQM requires the agreement of each of the three aforementioned parties.

October 2007

Memorandum submitted by British Glass Manufacturers Confederation

1. INTRODUCTION

1.1 British Glass is both a trade federation and materials organisation, which promotes glass as the first choice material in all sectors which for ease of convenience divides generally into the following: container, flat, special (includes technical and scientific), decorative and fibre applications. Its main activities involve representing the industry at European, national and local level on a wide range of topical legislative issues, for instance, waste, packaging and social policy. It acts as the industry's voice on health and safety, HR and environmental issues as well as technical standards and specifications likely to affect its members.

2. *Products requiring labelling*

2.1 British Glass is not aware of any products that are subject to compulsory environmental labelling at this present time. However the increase in the number of Companies signing products to the initiative could easily result in companies in the supply chain being forced to comply.

3. *What should be shown under a labelling system?*

3.1 There is concern that the existing labelling highlighting nutritional information is still in its infancy and that consumers may become overwhelmed with information if it is introduced quickly.

3.2 Trials are already taking place as demonstrated by Walkers Crisps to promote the labels, but it is questionable as to whether many consumers are aware of them and whether if asked they would understand what it actually means.

3.3 British Glass is aware of the work being undertaken by BSI to develop PAS 2050. There are concerns as to the parameters being used eg cradle to grave, cradle to cradle, manufacture to sale, inclusion of the product within the packaging. If a cradle to grave approach is taken then it should be made known as it could result in some materials being penalised as the manufacturing process produces a higher quantity of CO₂ but when it is recycled closed loop the CO₂ released decreases.

3.4 A labelling system which focuses on a single environmental issue such as the current proposals will inherently fail to adequately address the overall environmental impact of any product. Any scheme should quantify, as far as is reasonably practicable, other impacts such as: recyclability, recycled content, health risk, acidification and eutrophication potential amongst others. Failure to include all environmental impacts will inevitably mean that environmentally poor decisions will be made by a consumer that is trying to do the "right thing".

3.5 Regular reviewing of the labels will be required as more recycled material is introduced and technological developments result in better energy efficiency resulting in CO₂ emissions changing.

4. *The case for rationalising environmental labels*

4.1 For the labels to be effective, explanations and public awareness is required along with consumer consultation. There is a potential that the labels may be used as a tool for consumers to make purchasing decisions. Should this be the case then it could impact on sales of some products unnecessarily due to a lack of understanding by consumers as to what the label means and due to the parameters used to measure the content. For the system to work effectively there needs to be buy in from all parties to use one label as several labels could result in more confusion as seen with the nutritional labels.

5. *The impact of environmental labelling on consumer behaviour*

5.1 British Glass believes that the use of an environmental label in the first instance will not have a major impact on consumer preference. The labels currently being trialled by Walkers Crisps (50g bag) state 106g of CO₂ was used to make the pack, but what does that actually mean because it is not supported by evidence, nor is it comparable. Over time the consumer may begin to understand the labels but it will not happen over night.

5.2 The impact of environmental labelling on retailer behaviour. If the labelling scheme proves popular with the consumer, it is likely to influence retailer behaviour in favour of products with a lower carbon emission. This is likely to mean that suppliers with a higher CO₂ release being forced to invest to reduce their

emissions. However, this is likely, in multinational companies in particular, to divert capital expenditure away from areas where the greatest carbon reduction can be achieved in favour to where the carbon reduction will be most visible. This market perversity will directly conflict with least-cost economic instruments such as the European Union Emissions Trading Scheme.

6. *The regulation of environmental labelling*

6.1 The PAS 2050 that is being developed by BSI will assist with calculating environmental labels. If regulation was required then it should be through BSI and accredited by independent auditors. However it is felt that regulation should not be introduced until the PAS has been running for at least eighteen months.

7. *Exports from developing countries*

7.1 As with any system that is Country specific there is a concern that it could be detrimental to trade opportunities.

8. *International labelling*

8.1 An international environmental labelling system is not out of the question. However at a conference recently in the United States the Director of Global Technology and Quality Sustainability for Kraft indicated that they did not see Carbon labelling spreading from the UK to the Continent and that it would not reach North America anytime soon. Kraft believes that such labelling will not be understood by consumers.

8.2 It has also been reported recently that the Netherlands have made a decision to put a carbon-based tax on packaging taking the labelling concept further. The tax, thought to be the first in Europe, will not only mean higher costs for processors, but could be the start of an EU-wide move to force companies to add CO₂ emissions to the list of criteria they use when choosing their packaging. The European Organisation for Packaging and the Environment (Europen) says the Netherlands' tax will be the first of its kind in Europe and could add to the problems of meeting various waste and recycling targets.

October 2007

Memorandum submitted by the British Retail Consortium (BRC)

The British Retail Consortium (BRC) welcomes the opportunity to contribute to the EAC sub-committee inquiry into the issue of environmental labelling. The BRC is the leading trade organisation representing the retail sector and exists to defend and enhance the economic, political and social climate in which its members operate. There are over 180,000 VAT-registered retail businesses in the UK operating in more than 270,000 retail outlets. The retail industry employs nearly three million people and accounts for more than 11% of the total UK workforce, an increase of almost 100,000 over the last five years. UK retail turnover in 2006 reached over £255 billion.

Retailers serve millions of customers. Every day our members are in a unique position to comment on the impact and effectiveness of labelling. Retailers use labels to give customers essential information about products and to help them make choices. It should be noted that for the vast majority of customers, particularly when shopping for groceries, price and quality are the key factors of choice and far outweigh other factors such as environmental standards. Having said that concern over environmental standards is growing and retailers are responding to the market by both improving standards and making more information available to customers.

We agree with the recent interim report issued by the Better Regulation Executive (BRE) and National Consumer Council (NCC)¹⁶ that “policy-makers need to take more care and attention to determine when regulated information should be used” and that doing so will require achieving a deeper understanding of consumers and the circumstances in which information will change their behaviour. The retail sector is ideally placed to assist Government in educating consumers, as the success of a retail business is directly determined by that business's level of understanding of what its customers want. Understanding customer concerns and demonstrating that their business is acting on them is fundamental to customer retention and growth, and therefore retailers are expert communicators. In order to respond to the needs of their customers BRC members carry out considerable consumer research to ensure the information they provide, whether that is on pack, at point of sale or through sales promotions, is representative of the needs of the customer.

¹⁶ *Warning: Too much information can harm* (2007) www.cabinetoffice.gov.uk/regulation/documents/next_steps/warning/too_much.pdf

We agree that there are some elements of labelling that need to be mandatory but there are also elements which should remain voluntary. The second element is particularly true where retailers are using them to differentiate a product for more discerning customers, for example where the standards to produce those products exceed legislative requirements. This would apply to environmental issues and retailers recognise the benefit of using voluntary labels to help customer choice. Retailing in the UK is highly competitive and we have seen a growth in voluntary labelling of environmental issues as retailers respond to consumer demand. It is important to remember that competition between retailers on environmental issues is delivering real change, not only in choice for customers but also in the overall sustainability of our supply chains. This has been achieved by the market on a voluntary basis and by allowing the appropriate labels for the right customers. Intervention to ensure more mandatory labelling might stifle competition and confuse customers through a proliferation of the wrong mix of labels.

We believe that any labelling scheme, voluntary or mandatory, must appeal to the consumer in a language he or she understands. Successful labelling schemes have to communicate clearly on a single issue, respond to existing consumer concerns, be easy to use, empower positive behaviour and be fair and honest. Labelling does have a role to play, but in isolation labelling schemes cannot deliver market transformation. All tools, including voluntary standards, mandatory standards, fiscal intervention, trading schemes, product labelling and consumer education need to play their part.

1. SUMMARY

1.1 A small but growing proportion of consumers want information about social, environmental and ethical standards of retail products. Retailers play an important role in informing and educating consumers through many forms of communication, of which labelling is one. Where specific information is not provided through a label, this does not mean that the information is not available elsewhere. For example, there is a wealth of other information on company websites, in store magazines and independent assurance schemes.

1.2 Experience and research show that depending on the type of information, some communication methods are more appropriate than others. Price or promotion information is often placed on shelves; other kinds of information can be given through leaflets, at the point of sale, through the Internet or on back of pack.

1.3 UK retailing is extremely competitive and successful retailers must respond to consumer demand. They conduct extensive daily research to understand what consumers want to know. Consumers shop in those retailers and buy those products which provide them with the information they want in the way that they want it. Successful retailers and manufacturers are those that provide this, so although there may be differences of approach between retailers, as the sub-committee suggests, these differences have only occurred as a result of significant consumer research and consequently consumer demand.

1.4 Government should therefore allow businesses to retain the flexibility to provide information to consumers through labelling schemes if they determine, based on substantial evidence, that it is the most effective way to educate its customers.

1.5 The environment is not a single issue, for example it could cover carbon emissions, use of pesticides or change in land use. Customers choosing products on environmental grounds will focus on those issues they perceive are important to that product. To try and represent all environmental issues on a single label would mean one of two things. Either a one size fits all label that incorporates all the elements, whether they are key to that product and choice or not, or a mass of labels ranking key elements. Neither of these will help customers, rather it will complicate labels and prevent progress in tackling the key environmental issue to that product.

1.6 It is important that any move to reform environmental labelling in the UK is considered in conjunction with conclusions from the comprehensive European labelling review.

2. RESPONSES TO QUESTIONS

2.1 *Products requiring labelling*

Under European law a wide number of consumer goods such as washing machines, dishwashers and ovens have to display energy labels to help customers make a choice on efficiency grounds. The labels are recognised by customers but it is harder to distinguish if the labels themselves have driven changes in the products or if that process was already under way responding to customers who expect them to be more energy efficient. There is also a requirement to demonstrate compliance with some environmental schemes, for example the certification body for organic food must be shown on the label.

There are a plethora of other voluntary environmental labels that are used covering thousands of products, both food and non-food. The majority of these labels, for example, Forest Stewardship Council (FSC), Marine Stewardship Council (MSC), WRAP recycling symbols and Energy Savings Recommended (for the most efficient 20% of electrical products) are operated by third parties and are only used by retailers with the permission of the schemes "owners". A much smaller number are labels developed by retailers

to communicate on an issue where an existing scheme is not available. Our view is that voluntary labelling can help customers make a choice when used appropriately but do not believe there is a requirement for them to be mandatory. This is particularly true for environmental issues, where a number of factors may be relevant to customer choice. For example both LEAF and organic schemes are environmental labels but the standards cover different issues relevant to the customer purchasing the product. However it would be difficult to develop a single mandatory label that covered these and the other environmental labels currently used on food packaging.

2.2 What should be shown under a labelling system?

We do not believe it would be practical, desirable or possible to produce a standardised environmental label. BRC members have lengthy internal protocols with detailed rules on the format and presentation of their different brands, sub-brands and product categories. It is impossible to establish brief general rules regarding a format applicable to the 50,000 product lines that some big retailers sell.

As mentioned above the environment is not a single issue. Customers choosing products on environmental grounds will focus on those issues they perceive are important to that product or to them as individuals. To try and represent all environmental issues would be impractical—either a one size fits all label (similar to the unsuccessful EU Eco-label) that incorporates all the elements, whether they are key to that product and choice or not, or a mass of labels ranking key elements providing potentially conflicting messages. Neither of these will help customers, rather it will complicate labels and prevent progress in tackling the key environmental issue to that product.

We believe there are several issues to consider on the use of carbon footprint labels. Firstly, do consumers really understand this complex topic or do they need more education to be able to make an educated choice not only in their shopping behaviour but their contribution to sustainability. Secondly, there needs to be agreement on a method to measure carbon emissions, hence our full support for the current BSI/Defra project, as we must have a common system to ensure consistency across all products. Finally, we need to return to a fundamental examination of the target of carbon reduction and how to achieve it. Is it best to use the work on carbon measurement to analyse and improve the supply chain, or do we rely on labelling to drive demand and product improvement? Defra itself has separated the measurement work it has commissioned BSI to undertake from the labelling aspect for the very reason that there is uncertainty over how best to use the information on the carbon embodied in products and services.

2.3 The case for rationalising environmental labels

We have real concerns that there is a tendency, particularly within Government sponsored bodies, to always point to labels as the way to drive change amongst consumers. Retailers know from their own experience that labels have to be very carefully prepared to ensure the customers have the information they need without confusing them. Communication of labels can only be successful within the context of education and marketing campaigns. We need to recognise that customers often have a limited time to shop and, therefore, to read and absorb labels.

We agree with the principle behind the current European review of food labelling which is to return to first principles and establish what the essential mandatory requirements are. Voluntary labelling would then be used above and beyond that based on customer demand and competition.

2.4 The impact of environmental labelling on consumer behaviour

Consumers in the UK are far more environmentally conscious than they ever have been, and they are far more likely to act on environmental issues by changing their behaviour. For this to happen they need to be provided with the necessary information to make those decisions but, as consumer attention is finite, that information has to be targeted. We know that for example in food consumers are mostly satisfied with the current amount of information on labels despite not using it all.¹⁷

However, a contradiction was highlighted in a number of studies; whereby consumers support the inclusion of the maximum amount of label information, yet regularly claim to feel confused or overloaded by the information provided.

A significant difference in the way that consumers use labels during the first and subsequent times they make purchases was also found. Of those that use more than basic information (about half), the information sought was on nutrition, ingredients, general information and in a small number, ethical information. When it comes to habitual use, however, consumers stated that product recognition is the most important consideration, because it facilitates repeat purchasing.

Consumers have suggested that effective alternative ways of providing information include bar-code readers, phone lines and websites. There is also a demand for more detailed off-pack information on fruit juice production, for example leaflets or online.

¹⁷ *What consumers want*—a literature review by Food Standards Agency, March 2007.

Consumers felt very strongly that “clear, honest and transparent food labelling is the foundation of consumer choice”. Significant minorities of consumers surveyed claimed that they felt strongly enough about a number of issues (eg exploitation of developing countries, pollution, factory farming) to stop buying products where those issues arose as even though more customers than ever before are considering environmental issues when choosing a product, the significant majority will still be driven by issues such as price and brand preference.

2.5 *The regulation of environmental labelling*

There are a number of ways in which labels are regulated, ranging from European standards on energy labelling, through to private schemes accredited to international audit standards. We believe there is sufficient information on the standards that underpin the labels provided by the schemes that operate them and this is supplemented by information on green claims provided by Defra.

We do not believe further regulation is necessary. The key thing is customers understanding what standards lie behind the label which can be provided and the robustness of auditing to ensure standards are adhered to. Responsible retailers ensure that the systems that underpin an environmental scheme are robust before associating themselves with them as they know it is vital to have customers’ trust in the products they are buying. It is a commercial imperative to ensure labels are adequate and the standards that underpin them are adhered to.

2.6 *Exports from developing countries*

The current debate on the air freighting of organic food is a good example of the complexity of this issue and demonstrates the different factors that motivate customers to select a product.

As we have stated earlier, customers will use a number of factors when deciding which product to buy and will weigh those up when making their choice. In this case one of the key consumer issues, after quality is fair trade, understanding purchasing fair trade products is a contribution to the economic sustainability and growth of a developing country. We believe customers should be able to make individual judgements when choosing to purchase products from particular countries, and it would be unfair on developing countries to demonise their product through environmental labelling. Of course, in the case of many products due to climatic advantages the overall carbon emissions may be better from developing countries, despite longer transport, than growing them in protected conditions in the UK.

We also believe that this problem has been made worse by a poor understanding of the scale of food imports, particularly air freighted products into the UK. The vast majority of food sold in the UK is produced in the UK. Where imported food is sold around 1% is transported by air. In 2007, BRC members Marks & Spencer and Tesco introduced a voluntary air freight symbol in response to concerns about the unnecessary use of air transport with the aim of increasing transparency. Marks & Spencer report that their sales have been unaffected. The major wins in carbon reduction are in the UK food supply chain and would be grossly unfair to stymie the development in these countries based on perception and misinformation.

October 2007

Memorandum submitted by WRAP (The Waste & Resources Action Programme)

EXECUTIVE SUMMARY

WRAP welcomes the opportunity to comment on the Environmental Audit Committee’s Environmental Labelling Inquiry, launched on 26 July 2007.

Our response is a set of general comments on the points raised by the inquiry.

INTRODUCTION

1. WRAP (the Waste & Resources Action Programme) is a not-for profit UK company providing recycling and resource efficiency programmes for Defra, the Scottish Executive, the Welsh Assembly and the Northern Ireland Assembly. The organisation was formed in 2000 to implement a number of the actions set out in the Government White Paper *Waste Strategy 2000*.¹⁸

2. WRAP works in partnership to encourage and enable businesses and consumers to be more efficient in their use of materials, and to recycle more things more often. This helps to divert waste from landfill, reduce carbon emissions and improve our environment.

¹⁸ Department of the Environment, Transport and the Regions (2000), *Waste Strategy 2000 for England and Wales*, Parts 1&2, Cm 4693-1&2, London: Stationery Office.

3. As part of WRAP's Recycle Now campaign, we have developed the Recycle Now brand, which is currently used across England. In addition, we have created and implemented a suite of iconography that clearly identifies the materials to be collected in each recycling bin. Distinctive colours are also used to help the public to distinguish between the bins. This labelling policy has proven successful in imparting the right message to the public.

4. Given our role in developing standard iconography for recycling infrastructure, this consultation exercise is very relevant to our work.

GENERAL COMMENTS

5. WRAP welcomes the efforts that are being made by retailers, food manufacturers and other stakeholders to quantify the diverse environmental impacts of food produce. However, we are all at an early stage in this work, and at the moment, no single label covers all aspects of sustainability.

6. WRAP welcomes these developments, which have the potential to help consumers to make better-informed choices about their food purchasing decisions. However, we are concerned that the introduction of an increasing number of single or limited-issue environmental labels has the potential to lead to conflicting messages and consumer confusion, even if they are supported by information campaigns.

7. For example, labels for "air miles" and embedded CO₂ have appeared on some consumer goods during 2007. Such labels respond to consumer concerns, and have the potential to be useful. However, some products distributed by air may actually have a lower embodied CO₂ than competitor products not sent by air, because of differences in production methods. There is therefore a risk that some products given "air miles" labels may be perceived to have a greater environmental impact than is actually the case.

8. To expand on this, in Defra's *The Validity of Food Miles as an Indicator of Sustainable Development* report,¹⁹ the growth of tomatoes both in the UK and Spain is compared. Although British tomatoes travel less food miles than the Spanish ones, the report shows that higher levels of environmental impact are incurred by growing British tomatoes than by importing tomatoes from Spain. According to the report, the energy needed to heat the glass houses for growing tomatoes in Britain is significantly higher than the energy used in transporting tomatoes from Spain, where no heating is used because of the warmer climate.

9. WRAP welcomes the development of standards for quantifying environmental impacts, such as the draft Publicly Available Standard 2050 on Greenhouse Gas Emissions, led by the Carbon Trust, DEFRA and British Standards. In particular, we consider the whole life cycle approach to be critical to making accurate decisions. However, we feel that further thought needs to be given to two key questions: who is the best recipient of the information, and what is the best format in which to present it to that audience?

10. As an example, we feel that providing consumers with information on the amount of carbon embedded in a product is a useful first step. However, without either advising them of its relative performance within a product group, or of a recommended quantity of carbon they should use, it may not significantly help them to make an informed purchasing decision.

11. Furthermore, the environmental impact of a given product can change as the manufacturing process evolves. For example, research by WRAP indicates that for every 10% of a plastic bottle (PET and HDPE) that is manufactured from recycled materials, the carbon footprint of the bottle is reduced by 5% (PET) or 4% (HDPE). Thus, as companies alter their packaging, the carbon footprint, and information on the label, may therefore change on a regular basis. If consumers do start to make purchasing decisions on the basis of CO₂, they may find that their optimum choice will change on a regular basis.

12. WRAP considers that environmental labels should reflect the range of environmental issues that is most relevant to the product or service which is under consideration. For some products, hazardous material content, water use, energy or raw materials consumed in manufacture may be the most significant issue, whereas for other products they will be of lower priority.

13. Equally, for many products, such as energy consuming goods, the majority of the environmental impact may occur in the use phase, and this is what an environmental label should properly address. However, the impact of the use phase will often depend on decisions made by the individual consumer. Presenting a label based on average behaviour will not inform consumers how they can change their behaviour to reduce their environmental impact (eg not leaving equipment on stand-by). This again could lead to sub-optimal purchasing decisions and would miss an opportunity to drive environmental improvements by properly informing consumers of ways to reduce their personal impact.

14. WRAP considers that product banding, as has been utilised with respect to the energy consumption of fridges and freezers, is a useful and proven way of conveying key environmental information clearly, whilst allowing for uncertainties in the data. Such labelling, in the case of fridges and freezers, has led to choice editing by retailers, who choose only to display those models scoring highest on the label measure in their limited floor space. Such a system thus not only provides information to consumers, but drives product development too. Such labelling methods could potentially be replicated for other types of environmental issues, with similar beneficial results.

¹⁹ Downloadable from <http://statistics.defra.gov.uk/esg/reports/foodmiles/default.asp>

15. WRAP also considers the collaborative approach of Environmental Product Declarations, as advocated by Eco-labelling standards, as a positive means for encouraging sectors to share data and enhance the environmental performance of their products.

16. Finally, the issue of the recyclability of packaging is a major concern amongst consumers, as recent campaigns by the Women's Institute and the Independent newspaper have highlighted. WRAP has been considering with relevant stakeholders how to communicate more accurately to consumers messages about the extent to which product packaging materials can be recycled in practice. Our ideas are currently at an early stage, but we would be happy to discuss the issues surrounding the provision of clear recycling messages to the consumer with the Committee, if that would be helpful.

October 2007

Memorandum submitted by Oxfam GB

This response to the Environmental Audit Committee's Environmental Labelling Inquiry has been prepared by Oxfam GB. In summary, Oxfam GB believes that:

- Food miles and labelling products on the basis of the mode of transportation are inadequate and misleading proxy indicators of the level of greenhouse gas emissions generated in a product's lifecycle.
- Any greenhouse gas labelling standard needs to consider the climatic impacts of the entire lifecycle of the product.
- Raising consumers' awareness of a product's environmental impact should not be at the expense of considering its positive impact on international development. Under the right conditions, trade is a powerful engine for reducing poverty amongst smallholders and waged labourers.

Oxfam GB is a development, relief and campaigning organisation that works with others to overcome poverty and suffering around the world. We are currently investing significant resources in scaling up our direct work on climate change, although dealing with the escalating side effects of this has been part of our humanitarian and development work for over 60 years. In the coming years we will be concentrating on highlighting the impact of climate change on poor people, and working with them, and with organisations at all levels, to reduce their vulnerability to its effects. The current widespread interest in ethical consumerism and the labelling responses that seek to guide such ethical consumer choices have potentially important implications for poverty, development, and climate change. For these reasons, we welcome the Committee's inquiry and the opportunity to respond to it. Our response focuses primarily on the lines of inquiry pertaining to content, rationalisation, and effects of environmental labelling. It does so with reference specifically to environmental labelling that seeks to address the climatic impacts of greenhouse gas emissions resulting from producing, processing, transporting, and storing agricultural products.

What should be shown under a labelling system?

The Sub-committee would like to assess which criteria should be illustrated by an environmental label, and how overlaps between different concerns could be adequately dealt with. The Sub-committee would also be interested in investigating how environmental labels could best convey information accurately and usefully to the consumer. Given the EAC's recent focus on climate change and related issues, the Sub-committee would be particularly interested to hear about the development and merit of labels which demonstrate the carbon footprint of a product—ie the carbon emitted during its production, storage and transportation.

Consumers are increasingly demanding well-informed, clear information to help them make decisions on the social and environmental impacts of what they buy and on how to live "more ethically".¹ As such, environmental labelling may be an important means of empowering ethical consumers to mitigate their impacts on climate change. Given increasing interest in having "food miles" information provided to consumers (41% of adults are interested in having such information provided to them)², there has been an associated interest in labelling products on this basis. Oxfam GB fully supports efforts to empower consumers to make ethical choices, but we believe that product labelling based on the distance an item has travelled or the means by which it has been transported cannot be relied upon to provide consumers with the information they require: food miles labels are an inadequate proxy indicator of the level of greenhouse gas emissions generated in food supply chains.

Labelling based on the distance a product has travelled fails to account for the significant influence that the mode of transportation has on the level of emissions produced. For example, over the same distance, sea freight emissions are approximately 35 times lower than those produced by air freight.³ One attempt to acknowledge these discrepancies has been the use of labelling to draw attention to the mode of transportation, particularly where produce is air freighted. Oxfam GB believes that labelling products according to their mode of transportation is a simplistic and misleading measure of the greenhouse gas emissions produced throughout the lifecycle of food products. In this regard we do not welcome Marks and Spencer and Tesco's introduction of air freight labels on their products.⁴ We agree with Rt Hon Gareth Thomas's acknowledgement that these labels "provide only partial information on the environmental

impact of the product. Air-freight labels don't tell us about the full impact of producing and delivering all of the products that we might buy."⁵ Anecdotally, it is not clear that such existing labels are even fulfilling their purpose as air freight labels are being interpreted as having positive connotations of freshness rather than as having negative associations with high greenhouse gas emissions.

Transportation emissions need to be considered relative to the climatic impacts of the remainder of the lifecycle of food, from plough to plate. In many cases substituting tropical production with local growing of similar products under artificial greenhouse conditions will, although ostensibly reducing food miles, in fact result in greater levels of greenhouse gas emissions. This is due to the energy requirements necessary for maintaining constant artificial conditions. For example, a study published in 2000 suggested that growing a rose in Kenya and air-freighting it to the UK requires around 2–3 MJ of energy, whereas producing a rose under artificial conditions in the Netherlands requires around 9 MJ.⁶ More recently it was found that the emissions resulting from growing flowers in Dutch greenhouses can be 5.8 times greater than growing them in Kenya and flying them to the UK.⁷

A labelling scheme that purports to indicate the global climatic impacts of products must therefore be based on the rigorous quantification of all parts of their lifecycle not just the transportation component.

The case for rationalising environmental labels

The Sub-committee would like to assess whether concerns over the proliferation of environmental labels are justified, and the extent to which consumers are able to cope and engage with the many different labels on the market. The Sub-committee would also like to investigate whether there is a case for rationalising the system of environmental labelling, or for calling for certain labels to be given priority when displayed on products.

The Carbon Trust, Defra, and BSI British Standards are already in the process of developing a Publicly Available Specification (PAS) for the measurement of the embodied greenhouse gas emissions in products and services. This single standard is intended to ensure a consistent and comparable approach to supply chain measurement of embodied greenhouse gases across markets. The standards will help companies understand the lifecycle climate change impacts of their products, and highlight significant emissions reduction opportunities. Oxfam GB suggests that any greenhouse gas labelling standard must engage with this process. In addition to supporting the development of an internationally agreed standard, this approach avoids duplication and inadequate short-term alternatives that only consider part of a product's lifecycle.⁸

Oxfam GB does not believe that lifecycle emissions should be considered as part of an overarching "ethical" label that attempts to communicate the environmental, social, and economic impacts of the labelled product. The complexities and the qualitative nature of many of the issues involved do not lend themselves to one "ethical standard". On many issues, acting ethically requires making complex decisions that involve tensions between competing ethical priorities. In these situations research shows that consumers do not want oversimplified choice editing to prevent them from making the most ethical choice according to their own consciences.⁹

Nonetheless, raising consumers' awareness of products' environmental impacts should not be done at the expense of considering developmental impacts. Therefore, Oxfam GB suggests that where climate change related labels compete for space with the FAIRTRADE Mark, the latter should be the most prominent. Poor people depend overwhelmingly on agriculture to make a living. Many are involved in producing agricultural products for Western markets. For example, in Africa an estimated 1.5 million people depend on agricultural exports to the UK for a living.¹⁰ By encouraging consumers to switch away from products produced by poor people, the ability of trade to contribute to poverty reduction is undermined. Under the right conditions, pro-poor agricultural trade can be a powerful engine for poverty reduction for smallholders and waged labourers in the food supply chain. Oxfam GB continues to support the FAIRTRADE Mark and the principles that lie behind as they can make qualitatively large differences to the livelihoods of many of the world's poorest producers. This Mark assures consumers that, as a result of their purchases, disadvantaged producers and workers in developing countries are getting a better deal: receiving a fair and stable price for their products which covers their costs of production; benefiting from longer-term trading relationships; receiving the Fairtrade premium for investment in social and economic development projects; and receiving pre-financing where requested. All Fairtrade certified producers are also required to comply with the international Fairtrade environmental standard as part of the requirements of certification. This standard requires producers to ensure that they protect the natural environment and make environmental protection a part of farm management. Producers are also encouraged to minimize the use of energy, especially energy from non-renewable sources.

Exports from developing countries

The Sub-committee would also like to investigate the impact of environmental labelling on exports from developing countries, and in particular whether labelling of this kind could have a detrimental impact on the trade opportunities available to these countries.

For the above-mentioned reasons, we do not support labelling that only reflects the quantification of emissions from one portion of a product's lifecycle. As well as being an inaccurate indicator of lifecycle greenhouse gas emissions, such labelling may result in consumers switching away from products that

support poor producers' livelihoods. However, in principle, Oxfam GB does not have any objections to environmental labels that reflect a standardised and rigorous quantification of emissions from a product's entire lifecycle. Indeed, such a scheme may help consumers to appreciate that exports from developing countries can compare favourably, in climatic terms, with more resource-intensive products produced within developed nations. Labelling on products imported from developing countries can also contribute to increasing the visibility of their provenance to consumers. There is a growing literature on short food supply chains (SFSCs), one form of which includes spatially extended produce (for example, "locality" food, certified Fair Trade or organic food) where products are "information laden" and can thus create bonds between producers and consumers.¹¹ The new economics foundation (nef) suggest:

*It is now time to explore and exploit the full range of these SFSC models for use in the developing world, to help family farmers maintain access to markets, create new markets and capture a greater percentage of the final value of their produce.*¹²

CONCLUSION

In summary, Oxfam GB believes that environmental labelling, specifically greenhouse gas emissions labelling:

- Could be a positive means of empowering ethical consumers.
- Must not only reflect the mode or distance of a product's transportation.
- Must reflect rigorous and standardised quantification of the emissions generated throughout a product's lifecycle.
- Must not reflect multiple ethical concerns, and should be limited purely to emissions quantification.
- On Fairtrade certified products, must not receive placement priority over the FAIRTRADE mark.

October 2007

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Memorandum submitted by The Wine and Spirits Trade Association (WSTA)

The Wine and Spirit Trade Association (WSTA) represents the whole of the wine and spirit supply chain including producers, importers, wholesalers, bottlers, warehouse keepers, freight forwarders and brand owners.

Our comments are as follows:

1. Products requiring labelling

1.1 Wines and spirits are not subject to mandatory environmental labelling. Companies wishing to include voluntary environmental information on their labels may do so provided that they meet certain approved standards. This is a complex area. Labelling for organically produced grapes is permitted. Regulations at EU level for organic wine are expected in the future.

1.2 The labelling of the wine and imported spirit sector is subject to EU Regulations (R 1493/99 and 1576/89) and any EU or UK legislation on environmental labelling would probably have to take these into account.

2. What should be shown under a labelling system?

2.1 Some detailed sectoral work at a vitivincultural level has already been carried out by the wine sector.

2.2 The global wine sector is working with BSI Standards to develop the most appropriate methodology for calculating carbon footprints with a view to reducing embodied greenhouse gases (GHGs). It is hoped that this work will eventually lead to an ISO standard.

2.3 Wines and spirits move between countries so any environmental labelling system should be universally understood. If a voluntary labelling system is to be developed, it should be communicated on a label by no more than a simple logo (backed by accreditation arrangements) demonstrating that the product itself or the supply chain for the product—producer to supermarket shelf—meets appropriate standards.

2.4 Given the complexity of labelling for GHGs, it is far from certain that any label other than a logo would adequately convey to the consumer that by making certain purchasing decisions he/she would be playing a small part in reducing carbon emissions.

2.5 In the EU, different national standards for systems or for labelling would be inappropriate.

3. Rationalising environmental labels

3.1 Consumer research in this area will probably highlight the law of diminishing returns, ie that the more that is put on a label, the less the desired impact.

3.2 The nature of the wine and spirit sector and how it is regulated mitigates strongly in favour of standardisation within the EU.

4. The impact of environmental labelling on consumer behaviour

4.1 Consumer research should show how easily consumers understand environmental labeling.

4.2 Change in behaviour is more likely to occur if consumers actually understand the information on a label or what a logo represents so a standardized label governing a sector of “environmentally friendly activity” (carbon footprinting, organic production etc) would be preferable to a plethora of different labels driven by lobby groups and understood by only a few.

4.3 Only a relatively small percentage of those who say that they will change their behaviour on the basis of what they see on a label actually do so. Few are prepared to pay a premium for a premium for an “environmentally friendly” product.

4.4 The focus should be on inefficient companies to reduce their GHGs voluntarily and for the consumer to understand that certain efficiencies have been met if a simple universally understood message appears on products.

5. Regulation

5.1 The WSTA does not support mandatory labelling in this area. Aspects of environmental friendliness for which labels are intended should be defined before labelling is countenanced. In all probability, too much detail appearing on such a label would be meaningless to the average consumer.

5.2 The WSTA supports voluntary arrangements in respect of the following:

Organic Wine: Work is already being undertaken at EU level to develop regulations for the production of organic wine. This exercise is proving to be complex and a high level team of scientists is involved.

Carbon Footprinting: This is a very complex area and before labelling is contemplated a standard methodology for calculating GHG emissions in the supply chain(s) would have to be agreed.

6. Exports from developing countries

6.1 In general, there is no reason why developing countries should not be subject to exactly the same norms for environmental labelling as developed countries. However, it is acknowledged that some exceptions could be made for enterprises in some LDCs.

7. International labelling

7.1 The development of an international “environmental labelling system” is a worthy objective; however it simply will not happen without the voluntary agreement of trade.

7.2 A mandatory arrangement may lead to technical barriers to trade and thus may not be compatible with WTO rules.

8. Conclusions

The WSTA is fully aware of the difficulty of regulating in this area and is mindful of the unintended consequences of doing so. However, in the interest of consumer awareness and understanding, it does believe that there is some scope for rationalization: if producers choose to manufacture or transport goods to appropriate standards, they should be able to demonstrate to consumers in an easily understandable manner that they have met those standards.

The WSTA thanks the Environmental Audit Committee for the opportunity to respond to the launch of the inquiry on environmental labelling.

October 2007

Memorandum submitted by the Winemakers' Federation of Australia

The Winemakers' Federation of Australia (WFA) is the national peak industry body representing winemaker interests. The UK is Australia's largest wine export market, accounting for some 37% of exports. As the market leader in the UK for trade, Australian wine has a high profile and is obviously not a local product. As such, Australian wine is a target of “food miles” and related campaigns, leading to industry interest in contributing to the UK Parliament Environmental Audit Committee inquiry.

SUMMARY

- The Winemakers' Federation of Australia supports labelling requirements that contribute to desired consumer information and safety outcomes.
- Environmental labelling could contribute to increased consumer awareness, however it must:
 - Be based on internationally recognised performance standards.
 - Follow the principle of rationalisation of labelling requirements rather than the proliferation of various schemes.
 - Take into account the existing ISO 14020 series that address environmental labelling.
- Given that an internationally recognised environmental standard does not exist (ISO 14001 is considered to be a process standard rather than an environmental performance standard), harmonisation of standards and environmental programs must be the first priority ahead of investigating a labelling program.

Wine is not subjected to compulsory environmental labelling. Some wine producers choose to voluntarily label their product as “organic” against existing international standards, whilst others use logos of environmental causes that they support on their labels as a means of marketing. The labelling of wine is regulated by the EU and compulsory environmental label requirements would need to be integrated into these regulations.

An environmental label is essentially a claim of environmental performance of some type. The value of environmental labels is determined by market forces, and regulatory intervention needs to be carefully considered.

Discussion about the use of international environmental labels is premature, given that an environmental label is merely an indication of a standard or program. Without agreement on an international “environmental” standard, discussion of an international environmental label is moot. Lines of inquiry are

better focused along the potential for harmonisation of standards and environmental assurance programs, with the review of an environmental label a concluding, and potentially minor, issue to be dealt with in the process.

The proliferation of environmental labels is a symptom of the plethora of environmental-type standards and programs operating in the international market. In other parts of the market, environmental sustainability is being encouraged as a pre-competitive issue, much the same as food safety. Some programs have made a conscious decision not to make use of a unique environmental label because they would prefer environmental sustainability to be a basic assumption of the product rather than a point of difference. An example of this is the South African wine industry's Integrated Production of Wine scheme.

Any discussion or investigation on environmental labelling must take into account the existing ISO 14020 series that address environmental labelling and, in theory, represent the international consensus on this matter. These standards appear to address many of the issues raised in the inquiry brief.

The use of "carbon footprint" labels based on a life cycle assessment is preferable, and a more accurate representation of a product's impact, than the simplistic notion of "food miles" and even "air freight" labels. Whilst the latter serve the "buy local" campaign, they should not be presented as environmental labels.

The wine industry supports the case for rationalising the use of environmental labels because, if for no other reason, there is limited space on wine labels. Wine labels are already required to include information about Geographic Indication/appellation, allergens, alcohol content and health warnings. Specialised labelling requirements create an additional cost to producers because they shorten the label run sizes, add to inventory and waste, create unnecessary complexity, limit market flexibility and, as a result, increase production costs. Rationalisation and moves towards environmental labels based on internationally-accepted standards would also save suppliers from compliance and other costs associated with different retailer environmental assurance programs.

There is little harmonisation of environmental standards or program requirements, a scenario mirrored in quality and food safety assurance. Because each standard/program owner believes theirs to be the best, it warrants its own label to highlight the point of difference and the result is the proliferation that we see today. This is exacerbated by retailers also instigating their own assurance schemes and requiring prospective suppliers to adhere to that as a condition of supply. Suppliers servicing a number of retailers are required to seek certification under the different schemes operated by each retailer, which is a costly exercise for suppliers, and a cost ultimately borne by the consumer. Anecdotal evidence provided at a recent primary production conference indicated that some suppliers of fresh produce were choosing to abandon the UK market because of the increasing complexity and duplicated costs in complying with multiple supplier guidelines as issued by UK retailers.

The proliferation of environmental labels has also given rise to increased scrutiny, accusations of "greenwashing" and recognition of potential damage to brand image. Threats of exposure for "greenwashing" combined with the absence of any universally recognised environmental assurance standards can act as a disincentive for companies to make any claims with respect to their environmental management activities, which can, in turn, act as a disincentive to undertake environmental management activities.

Environmental labels should be an indicator that a product has satisfied the requirements of a particular standard or program. Labels should not list additional detail about the requirements that have been satisfied. This gives rise to the issue of consumer overload of information and label clutter. Numerous studies already available point to customer confusion and varying levels of support for existing "environmental" labels. Further, studies have also shown that consumers "saying" that they would preferentially purchase a product labelled as "environmentally friendly" does not always equate to the consumer "buying" the labelled product.

The issue of labelling without consideration of the underlying standard, calculation method or program can give rise to misinformation that is then picked up by media and given a profile amongst consumers. The wholesale adoption of the food miles concept as an indicator of a product's environmental impact, in the absence of any data, is evidence of how an over-simplified notion can become popularised. When that popularity is retained in the public domain, even when authorities acknowledge that the concept does not reflect the environmental impact of a product across its life cycle, another environmental myth is created. This only adds to consumer confusion and mistrust of environmental claims in the long term.

If adopted, environmental labels should be validated and regulated in the same manner as health claims, for example "light" and "fat-free". A model must exist somewhere in this field that could potentially be extrapolated to environmental claims.

If environmental labels are to become a mainstay in the marketplace, the issue of label clutter and consumer overload remains. The observed trend amongst assurance standards is towards integration. The scope of individual standards and programs are increasingly addressing quality management, food safety, occupational health and safety and environmental management. Efforts to rationalise environmental labels should look more broadly at rationalising the labels associated with quality management, food safety and environmental management into a single product guarantee. This would also address concerns that moves to establish formal environmental labels will be a precursor to labelling of broader corporate social

responsibility and risk management activities, increasing the threat of label clutter and related production cost issues. However, this approach still requires the harmonisation of standards at a minimum, and the replacement of the various standards with a universal standard.

October 2007

Memorandum submitted by Waterwise

Waterwise is an independent, not-for-profit, nongovernmental organisation which promotes water efficiency and conservation in the UK. Our primary aim is to develop a framework for sustained water efficiency for all mains use of water, and to reverse the upward trend in household consumption by 2010. To achieve our aims, we are building an economic, social and environmental evidence base for water efficiency, and we also promote water efficiency through co-ordination of existing initiatives and through the development of collaborative projects. We work in partnership with water companies, regulators, governments, retailers, manufacturers, other NGOs, the public, the media and with other stakeholders. Waterwise's work has been welcomed by the UK governments, the water industry, and the water regulators. Waterwise is the only NGO to sit on the Environment Minister's Water Saving Group.

INTRODUCTION

Interest in the "labelling" of products and/or services to enable environmentally preferable purchasing has grown over the past few years, and has now reached a level where there are too many "labels" but at the same time not enough. Waterwise therefore welcomes this inquiry, which comes at a time during which decisions are being made about the role of product labelling in water demand management.

Present levels of water consumption in UK households are not sustainable given current trends in urbanisation, population growth and new build, as well as shifts toward single-person living and water intensive lifestyles. With water scarcity adaptation being a crucial component of climate change adaptation for the UK, water product labelling or the provision of information which will enable consumers to reduce water wastage is essential.

The UK will not be successful in adapting to climate change if water scarcity is not addressed. Supply side measures such as reservoirs (more of which Waterwise accepts will be needed), will alone not be enough to meet increasing future demand—water efficiency and conservation are an absolute necessity for future water security in the UK. But if consumers are not aware of the existence water efficient products, or if they are unable to identify such products because of a lack of information, adaptation to water scarcity will fall short and the UK will struggle to meet rising water demand.

1. Definitions, provision of information, and the role of labels

1.1 It is first necessary to clarify what is meant by "environmental label". Not only are consumers (and policymakers) confused about the various claims communicated to them via "labels", but labels themselves are confusing in the various forms they take. Which are authoritative and of value? Various label types include:

- Ecolabels (eg EU Flower), which try to encompass various environmental criteria into one label.
- Single issue ratings, which try to provide the consumer with at-a-glance performance for a certain environmental criterion (eg EU Energy Label).
- Endorsements and awards, which are marks of approval and recognition from an organisation (eg the Waterwise Marque).
- Retailer labels (eg M&S Air Freight label), which try to communicate one or more aspects of "greenness" to the consumer; etc.

1.2 What is important to remember is that labels such as those listed in 1.1 are not the only means by which to encourage greener purchasing: point-of-sale information (eg water consumption figures provided in Currys' washing machine consumer guide), online product databases and tools (eg Waterwise's listing of the water use of all dishwashers and washing machines currently available on the UK market), manufacturer websites and brochures (eg Bosch consistently includes water use information in product brochures and online), and other methods serve the same purpose as labels.

1.3 Where a market does not supply what is deemed to be necessary information (eg the rate of water consumption of various water using products), a label or other form of interference is necessary to correct this market failure. Interference is made with the hope of shifting the market toward a certain desired outcome. But labels are not always the best way to solve market failure. Other means may be just as successful:

- Legislation and regulatory requirements.
- Public-private partnerships and initiatives.

- Incentives such as tax breaks and rebates.
- Government procurement policies; etc.

1.4 Though labels are a sure way of providing consumers with information, there is an actual danger of providing too much information which may lead to sensory overload and which may then turn consumers off from all labels. As such, Waterwise believe labels should be considered as one of a basket of options for addressing market failure.

1.5 Furthermore, any label which does (or will) exist must be accompanied by consumer education, and it must also be backed by trusted authorities who can validate the claims of the label.

2. Products requiring labelling

2.1 During the past few years, there have been discussions at the policymaking level about whether or not there exists a need for a water efficiency labelling scheme for taps, toilets, showers, dishwashers, washing machines, and other water using products. As a result:

- Defra have contracted Waterwise to examine whether or not there is a need for a water efficiency label for washing machines and dishwashers. The study will report by the end of 2007.
- Waterwise are presently conducting an analysis of water efficiency labels in other nations, focusing on market effect, consumer recognitions, programme structure, and success/failure. The study, which is being funded through the Market Transformation Programme, will report by the end of 2007.
- Other studies have also been commissioned to examine consumer attitudes to water saving, and to look at what consumers would like to see in a label or database.

2.2 Outside the UK policymaking sphere, water labelling has advanced during the past year:

- In September 2006, Waterwise launched the Waterwise Marque, the first award scheme in the UK to highlight water efficient products. Fifteen products, ranging from an ultra low flush toilet to drought resistant turf, currently carry the Marque which is awarded annually to products which save water, eliminate water waste, and/or promote water efficiency and/or conservation. The original intention of the Marque was to kick-start the market and to catalyse the development of a national water efficiency labelling scheme.
- In April 2007, the Bathroom Manufacturers Association announced the development of a voluntary Water Efficiency Labelling Scheme, based on minimum water consumption requirements, which will cover WCs, flushing cisterns, taps and combination tap assemblies, shower controls and baths.
- Waterwise have been informed of various schemes which certain retailers are currently developing to highlight water efficient products.

2.3 At the European level, the July 2007 Communication from the Commission to the European Parliament and the Council on “Addressing the challenge of water scarcity and droughts in the European Union” recognised that:

Labelling is an effective way to provide targeted information to the public on water performance and on sustainable water management practices. The marketing of ever more efficient devices or “water-friendly” products should be encouraged.

The Commission concluded that “the possibility of expanding existing EU labelling schemes whenever appropriate in order to promote water efficient devices and water-friendly products” should be examined.

2.4 Given the long-standing interest in water efficiency labelling in the UK, combined with climate change, population growth, new build, and ever more water hungry lifestyles all threatening the UK’s water supply, Waterwise believe that now is the time to examine whether a nationwide (or perhaps EU wide) water efficiency labelling scheme is necessary, what such a scheme might look like, and what benefits such a scheme could bring. Alternative options should also be considered.

2.5 Waterwise argue that there is a need for a nationwide, comprehensive water efficiency labelling scheme for the following reasons:

- A water efficiency label would empower consumers to make their own decisions in terms of what products to buy, and would enable them to purchase products which would help them to mitigate (eg water efficient showerheads help save water and energy) and adapt to (eg water efficient households maximise gain from a scarce resource) climate change.
- Builders, developers, and specifiers presently have no place to turn to for information on what water using products will enable them to meet the various levels of the Code for Sustainable Homes. A nationwide label would be a useful tool to support the success of the Code in ensuring new homes are water efficient.

- Government procurement is one of the most powerful ways of moving markets toward sustainability. A label would enable governments to specify which water using products must be purchased, thereby creating a large demand for water efficient products, driving down prices and increasing availability of such products on the mass market.
- A nationally accepted label would be a useful tool for local councils, water utilities, and other bodies who may wish to link cash rebates, tax breaks, and other financial incentives to water efficient products.
- A national label could endorse (or otherwise) any other claims which manufacturers or retailers may be making about their products' sustainability with respect to water resources.
- A national label would raise the public's awareness of water supply and the need for water efficiency and conservation.

3. *What a labelling system should look like*

3.1 The purpose of any label is twofold: First, to provide consumers with the information necessary to make a sustainable purchasing decision should they want to; and, second, to drive the market toward subscribing to the requirements of the label, thus achieving market transformation. In theory, a label will eventually cease to exist once the market is transformed.

3.2 Drawing on water efficiency labelling experiences in other countries, we conclude that there is no significant difference in impact between a rating (eg Australia's mandatory one to five star label) and an endorsement (eg the USA's WaterSense); nor between voluntary (eg Israel's Blue Dot) and mandatory (eg Singapore's rating scheme) schemes. What is important is that:

- the scheme is bought into and supported by all major stakeholders (eg water utilities, governments, manufacturers, retailers, etc) who also market the scheme and use it actively in their programmes;
- the organisation which administers the scheme markets it well, and the organisation is well funded so that proper marketing and consumer education are possible; and
- the label is not seen as a solution to the problem of unsustainable water consumption, but rather as one tool in a toolbox of options which together can build an enduring solution or support societal shift.

3.3 Any type of water efficiency label would be welcome as long as the above three points are met. In addition, consideration would have to be made over the interaction between any such water efficiency label with the existing EU Energy Label and the Energy Saving Recommended endorsement logo. However, concerns over the interaction between energy and water should not prevent the establishment of a water efficiency label as this interaction can easily be harmonised:

- For products that use both energy and water, more often than not there will be synergies between the two elements and not conflicts (eg washing machines rated "A" for energy use less water than those rated "B" or "C").
- For products which may conflict, eg electric showers which are by design water efficient but which do use more energy, understandings can be developed between the administrators of the energy label and those of the water label—resulting in a compromise on the overall labelling of the product. Alternatively, consumers can simply be shown that a product is good on energy but bad on water and then be left to make their own decision.

3.4 There is also scope for creating a joint water-energy label (*see* 4.3 below).

4. *The case for rationalising labels*

4.1 Labels are supposed to correct market failures, ie they are supposed to provide information to the consumer which might influence their purchasing decision but which is not provided by the market for various reasons. Labels are supposed to enable, and in order to do so they cannot be overly complicated and they certainly should not be conflicting.

4.2 Particularly in the case of food labels (eg organic, fair trade, etc) and also as most recently seen in the proliferation of carbon labels (eg X kg CO₂, air freighted, carbon neutral, offset, etc), too much information can lead to overload which may only confuse the consumer and turn her or him off from caring about the sustainability of a product. Therefore, there is an argument for rationalising similar and, in particular, conflicting labels.

4.3 As mentioned in 3.4, there is scope for creating a joint energy and water label. Energy consumption and water consumption are closely related in many ways, and both energy efficiency and water efficiency are important aspects of climate change mitigation and adaptation. Where the two conflict, there should be a label which weighs both together so that the consumer does not have to choose over water or energy. Where they do not conflict there are no problems in labelling for both.

4.4 One further option for overcoming label overload might be to designate a body to be responsible for providing consumers with information about the various labels already in existence. This body could also review the veracity of claims made by labels, and advise consumers generally on the sustainability of products.

4.5 In theory, the existing Defra-funded Market Transformation Programme (MTP) could take forward the remit described in 4.4. The MTP supports the development and implementation of UK Government policy on sustainable products and is charged overall with reducing the environmental impact of products across the product life cycle. Extending their remit to provide consumer information and to review labels would not be difficult, although it would require a shift to a more consumer-friendly approach.

4.6 In its present incarnation, the MTP displays some inefficiencies:

- Its website is difficult to navigate and not friendly toward policymakers, retailers and manufacturers, the media, or individual consumers.
- There is little transparency of operation.
- Quite often work is subcontracted to contractors who then subcontract to other contractors which creates confusion over quality of work.
- The development of the MTP research programme involves little stakeholder input (eg many major retailers and manufacturers do not even know that the programme exists).
- The programme is energy heavy and often neglects other issues like water scarcity; etc.

4.7 Therefore, though the MTP would be an appropriate vehicle through which to provide consumers with information on environmental labels, the programme would first have to be reshaped and streamlined to improve transparency, functionality and general ethos.

5. *International labelling*

5.1 With respect to the possibility of the introduction of a water efficiency label, and based on discussions Waterwise have had with those responsible for water efficiency labels in other countries, we believe the introduction of an international water efficiency label would not necessarily be a good idea.

5.2 National markets for water efficient products vary tremendously from country to country. For example, water efficiency aerated showerheads are quite common in the Australian market but much less so in the UK. Similarly, in both the USA and Australia top load washing machines still dominate the market, whereas front loaders are dominant on the UK market. For these reasons, water efficiency labels should be tailored to the market in which they operate.

5.3 But because we live in a world in which, for example, Australian showerheads are sold in the UK and European toilets are exported to the USA, it is crucial that water efficiency labels in various nations are aligned to a certain extent. Because there are internationally excepted testing standards for some water using products, alignment with various water efficiency labels would not be onerous. One further option might be to introduce a liaising panel to ensure that communication flows between labelling organisations, manufacturers, retailers and other stakeholders.

CONCLUSIONS

Water is a crucial element to both the mitigation of and the adaptation to climate change. If actions are not taken now to manage water demand, the future security of the UK's water supply will not be stable. Water efficiency and conservation are essential to securing our future supply, and simple technological and behavioural changes can save significant volumes of water.

The concept of a water efficiency label which is UK- or EU-wide, voluntary or mandatory, a rating or a mark of approval, needs to be examined further in the context of climate change mitigation and adaptation, and in the context of future security of supply. Furthermore, because energy and water are so closely linked, it is crucial that the two elements be considered together for a possible joint label.

Any water efficiency label that may be developed should not be expected to have impact on its own: consumer education, marketing, other incentives such as cash rebates, legislation, and stakeholder engagement, as well as other actions, are all necessary in order to achieve a sustainable rate of water consumption.

With climate change, urbanisation, population, and water hungry lifestyles all on the rise, a water efficiency label would be a step in the right direction toward a future in which water supply is secure and valued.

Memorandum submitted by Water UK

1. Water UK is the industry association that represents regulated UK statutory water supply and wastewater companies at national and European level. We are a policy-based organisation and represent the industry's interests with Government, regulators and stakeholders in the UK and in Europe. Our core objective is sustainable water policy—actions and solutions that create lasting benefit by integrating economic, environmental and social objectives.

2. We note that the scope of the inquiry makes no reference to water. There is currently a lot of activity around water efficiency and labelling, which we would like to be considered by the Committee.

3. For example, waterwise, an independent NGO established by the water industry, has introduced a “water marque” for water efficient products. Defra is working with the Bathroom Manufacturers Association to promote a voluntary labelling system for bathroom products.

4. Whilst we agree that the proliferation of product labelling is becoming a real issue and is likely to increase public confusion in many areas, we believe that there is scope for improved labelling, which combines and rationalises many of the schemes currently in operation or under consideration.

5. One example would be to combine the well-established energy efficiency labelling of white goods (eg washing machines) with a similar A–E rating for water efficiency. This is a very important area since the heating of water in the home (for baths, washing, etc—not including heating of water for central heating) contributes around 28 million tonnes of CO₂ equivalent each year. This is about 5% of total UK greenhouse gas emissions and around eight times greater than the contribution of the water industry in providing water and wastewater services (treatment, distribution, etc). So there are clear links between energy and water use that would benefit from a combined labelling scheme and would help raise public awareness of the role they can play in relation to water and energy use.

6. A further example is the proliferation of labelling schemes related to carbon. Water UK is currently working with the Carbon Trust and others to establish a common industry carbon accounting tool, to consistently measure carbon emissions from water company activities across the industry. This has clear benefits in terms of consistent reporting, driving efficiency and raising awareness. There may be lessons from the way the water industry is working together on this issue for other sectors and industries, which the inquiry could consider.

7. In general, the labelling of water efficient (or otherwise!) fittings and appliances is something we would be keen to encourage. There are around 209,000 new households every year but perhaps two million existing households each year will have refurbished bathrooms and kitchens (approx 10% of the housing stock). Hence the greatest impact on domestic water use will come from water efficient fittings being installed into the two million properties being refurbished. There is little danger of overlap in this area with other labelling schemes (unlike the case with food products for example).

8. The efficient use of water is a matter of behaviour as well as the design and construction of the building. It is important that people are provided with advice on how to use water wisely in the home in order to maximise the savings that can be achieved. Government has a key role to play, along with water companies and others, in providing such advice and information.

9. We would be happy to elaborate on these or other areas to the inquiry if appropriate.

October 2007

Memorandum submitted by Valpak Limited

KEY RECOMMENDATIONS

Valpak welcomes the Sub-committee's investigation into the use of environmental labels and any measures that may result in improved clarity.

The recommendations Valpak would like to put forward are as follows:

- That a national standard be developed to provide some consistency and urge a greater amount of control on new labels onto the market.
- That consideration be given to developing a label that takes account of all environmental factors in a product's lifespan from cradle to grave.
- That standard “recycling benefit” labels are developed to inform and encourage the consumer to engage in the recycling process.
- That this information should attempt not just to ask a consumer to recycle a product, but quantify the benefit of that environmentally “good” action. For example it may be preferable for a carbon label, rather than displaying a numerical value for the carbon output associated with the production of a particular item, was in addition able to quantify the carbon benefit of recycling over disposal.

- In order to alleviate consumer confusion, other vehicles for helping to inform consumer choice should be utilised alongside labelling. We would recommend the use of properly promoted and well maintained websites like www.recycle-more.co.uk

In order to demonstrate our reasoning for these recommendations, the remainder of our response consists of a brief description of Valpak and our expertise, some of the main issues surrounding the use of environmental labels and our suggestions for the way forward.

Our aim is to suggest how to better engage with producers and consumers, thereby optimising the environmental benefits derived from good labelling practice.

INTRODUCTION TO VALPAK

Valpak Ltd is the largest scheme for implementing the Packaging Waste Directive in the UK with 10 years operational experience. Valpak operates on a not for profit basis, funded by approx 3,000 packaging member companies from every UK industry sector including many multinationals. Valpak represents around 50% of the UK packaging compliance scheme market and a similar proportion of obligated UK packaging.

A Valpak subsidiary, The Green Dot Licensing Company, holds the licence for, and administers the Green Dot trademark shown on some packaging (Appendix 1 of this response). Although this symbol denotes in many other Member States that a producer has financially contributed to the recycling of packaging placed on the market in that country, it does not bear the same meaning in the UK. It is also often misconstrued as meaning that packaging is “environmentally friendly” which is not necessarily the case. Because packaging enters the UK market bearing this symbol (with permission from The Green Dot Licensing Company), consumers have become familiar with it and seem to associate it with the recyclability of a product, a misconception Valpak work hard to dispel.

Valpak is also the operator of a compliance scheme for companies obligated as a producer under the UK Waste Electrical and Electronic Equipment (WEEE) regulations. The scheme provides compliance for over 750 companies placing electrical and electronic equipment (EEE) onto the UK consumer and business to business market. Valpak’s WEEE service has attracted a wide range of producers who have obligations across all of the Directives 10 categories including both small and large high profile businesses.

In addition to this, Valpak provide information to businesses and the public through the promotion of our website www.recycle-more.co.uk. This website provides a wealth of useful recycling and related information and also helps consumers locate their local recycling facilities. Our experiences in the use of the logo (attached in appendix 2) associated with this site to symbolise a point of recycling information in electrical stores, provides the background to our response to the points raised within the inquiry paper.

ISSUES

The British consumer is increasingly well informed and able to recognise that they can make a positive difference and help protect the environment by buying products that cause less environmental damage. An eco-label can be a good way for the producer to encourage environmentally sustainable choices and for the consumer to recognise the environmental value of their choice.

There are many different eco-labels that denote environmental performance in many areas, from recycled or reduced hazardous material content in manufacture, carbon output across the life-cycle of the product, or the recyclability of a product at the end of life. In the absence of a single accepted industry standard for environmentally rating a product and/or its packaging, the consumer is forced to make a series of complicated trade-offs because the labels that they are looking at may only put them in possession of part of the knowledge required to make a fully informed choice.

Consumer choice is, in the majority of cases, determined by the individual’s assessment of value for money. Although price is the major determinant of consumer behaviour, Eco-labelling can play a significant role in providing environmental information and promoting environmentally sound choice, thus moving environmental considerations up the agenda when faced with a trade-off over price.

From assessing only a few of the many labels in circulation, current attempts to quantify environmental impacts are limited in their application to specific product streams or specific parts of the lifecycle of a product, and as such have received varying degrees of success.

Many labels are specific to a small part of the lifecycle of an item and have the potential to distort the true total environmental burden. Eco-labels tend to concentrate on either a single product category, for example white goods, or a single stage within a product lifecycle, for example the transportation stage such as the addition of an “air miles” sticker on the packaging. This might indicate that a product is a bad environmental choice but does not provide the consumer with the full picture. Some imported foods are responsible for lower total carbon dioxide emissions because growing in the UK would require artificial heating. This demonstrates the potential for confusion that can lead to a distorted consumer opinion of what is an environmentally good choice.

The use of numerical values on environmental labels can be confusing and have the potential to be misleading. The numerical value of carbon attributed to a particular product will vary depending on the level of detail and assumptions applied in the methodology; a methodology the consumer cannot access and probably does not understand.

It has been suggested that banding systems may better communicate a product's environmental performance to a consumer, but banding can come with its own issues not least because it introduces a further variable—namely determining the boundaries for setting each band. For this reason banding systems can be controversial.

The usefulness of a banding scheme can erode over time. This has been seen to some extent in the rating system applied to refrigerators which has been widely accepted as successful in the UK. Technological developments over time have born hyper-efficient refrigerators that easily exceed previous best in class models. As a result additional categories have had to be introduced up to A + + in addition to the original range of A to G. In addition consumers are also faced with Energy Star symbols and a blue Energy Saving Recommended logo when buying a new refrigerator. The proliferation of labels for one product that derive from different bodies all further contribute to consumer confusion.

FURTHER SUGGESTIONS

Current labelling attempts to quantify environmental impacts have had mixed success but this should not detract from the importance of the provision of environmental information and informed consumer choice.

It is apparent that there is considerable consumer confusion arising from the proliferation of labels on the UK market, each conveying a different environmental message. Sometimes the meaning of the label may not be clear, or where the consumer does understand its meaning, the action that it is supposed to encourage may not be clear. In either case there is a risk that the intended benefit of labelling may not be realised.

Valpak recommend that information on labels should better relate to the action that is required of that customer. For example, pointing out the amount of carbon involved in a product may be less useful to the consumer than demonstrating the amount of carbon saved if the item and/or its packaging are recycled. The carbon symbol could also be modified to indicate the practical availability of recycling facilities eg a green symbol would indicate wide availability across the UK whereas red would inform the consumer that recycling facilities are not yet available for this material.

We would also urge the Sub-committee to consider the creation of guidance and standards for environmental labelling that result in "good practice" by producers and brand owners. This should be communicated through a diverse range of mediums (not just on packaging at the point of sale) to the general public so that they understand the information and know what they can do about it.

To improve clarity of their meaning Valpak suggests that websites that are widely recognised by the public such as www.recycle-more.co.uk, which receives nearly three million hits per annum, are best placed to perform this task.

October 2007

APPENDIX I



APPENDIX II



Memorandum submitted by Rainforest Alliance

INTRODUCTION TO THE RAINFOREST ALLIANCE

Founded in 1987, Rainforest Alliance is an independent, non-profit charity organization that has developed a certification system for a variety of product groups. The main objective of all the Rainforest Alliance programs is sustainable development within the agricultural, forestry and tourism industries. Rainforest Alliance certifies agricultural products like bananas, citrus, cocoa, coffee, tea and flowers and ferns. Products from certified farms are eligible to use the Rainforest Alliance logo, or seal of approval. The Rainforest Alliance has been approved by DEFRA's Green Labels Guide. In forestry, the Rainforest Alliance is the largest certifier to the Forest Stewardship Council (FSC) standard. The forestry certification programme of the Rainforest Alliance is called SmartWood.

The mission of the Rainforest Alliance is to protect ecosystems and the people and wildlife that depend on them, by transforming land-use practices, business practices and consumer behaviour. Companies, cooperatives and landowners that participate in our programmes meet rigorous standards that conserve biodiversity and provide sustainable livelihoods. The Rainforest Alliance's standards are based on the three core pillars of sustainability: environment, ethics, and economics. It is a holistic approach to sustainability that places equal emphasis on the conditions of the natural environment and the people that depend on it. Issues covered by Rainforest Alliance agricultural standards include ecosystem conservation, water stewardship, wildlife protection, fair treatment of workers, health and safety, community relations, integrated crop and waste management, soil management and social and environmental management systems.

The Rainforest Alliance is an active member of the ISEAL Alliance, which numbers the world's leading social and environmental standard setters, including the Forest Stewardship Council (FSC), Marine Stewardship Council (MSC), International Federation of Organic Accreditation Movements (IFOAM) and Fair-trade Labelling Organisations (FLO).

The Alliance operates in over 50 countries. In the United Kingdom, the Rainforest Alliance logo is appearing on a rapidly growing number of products. Some recent examples include Kraft Foods' Kenco coffee (Sustainable Development brand and the Kenco Pure ranges from Brazil, Colombia and Costa Rica), Innocent Drinks (whose bananas all come from Rainforest Alliance certified farms), McDonalds coffee, Gala Coffee, Madison's Café's and Eden Project Coffee.

Some £1.5 billion worth of Rainforest Alliance certified agricultural and timber products now exist in the global marketplace. Partnerships with companies such as Chiquita have transformed entire sectors in favour of environmental and social sustainability (20% of the world's traded bananas now meet Rainforest Alliance standards). As of July 2007, the Rainforest Alliance had certified 40,739,228 hectares (100,664,161 acres) of well-managed forest lands and 299,280 hectares (739,222 acres) of farmland in 13,903 small family farms, plantations and cooperatives. An estimated 1,500,000 farmers, farm workers and family members directly benefit from the programme.

Recently, Unilever announced that it will be seeking Rainforest Alliance certification for its Lipton and PG Tips tea brands—a major new programme which will result in the world's first Rainforest Alliance certified teas. Forthcoming initiatives include the conversion to Rainforest Alliance certified by a major retailer for its own brand roast and ground coffees.

 REPONSES TO SELECTED QUESTIONS RAISED BY THE INQUIRY

1. The Rainforest Alliance, like most conservation groups, believes that properly managed certification schemes are valuable tools for instilling sustainable practices in the three human activities that most affect natural resources, the environment and many of the world's poor people.

2. The Rainforest Alliance supports voluntary labelling on food, wood, paper, non timber forest products (NTFPs) such as rubber, chicle and rattans, wild-caught and farmed fish and seafood, and tourism services. We do not think that labelling should be compulsory, because then it is seen as the same as government regulation. Without the NGO identity and support, labels lose their consumer appeal. Consumers expect governments to ensure that companies are following the law, that food is safe to eat and wood and fish have been legally harvested. Labels from independent third parties are understood to show that the manufacturer or harvester of the product has gone beyond what is required by law.

3. Sustainable agriculture, albeit a complex concept, is increasingly well understood by business and consumers. Like our sister programmes—organic and fair-trade—Rainforest Alliance encourages companies that are trading certified products to put consumer-friendly explanations on packaging.

4. While small but growing portions of the public understand the differences between organic, fair-trade and sustainable agriculture, there is wide acceptance of labels supported by recognised, credible NGOs. Consumers may not know exactly what the NGO labels stand for in detail, but they trust that a product with a label is somehow easier on the environment than a product with no label.

5. Consumer research by companies using the Rainforest Alliance Certified logo shows that there is low but rapidly growing recognition of the logo and that consumers appreciate that it stands for sustainability, a modern, holistic and comprehensive way to address the big environmental issues that we all face. We do not aspire ourselves to become a famous, instantly recognisable “brand”, but rather to continue to work on the ground with producers in developing countries, connecting certified produce to the growing number of companies embracing corporate responsibility. We do of course welcome efforts by those companies to support awareness of our mission and logo through their own marketing efforts.

6. As noted above, the Rainforest Alliance is a member of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL www.isealalliance.org), which works to ensure credibility and transparency for international, mission-driven, NGO-led labelling programs. Within ISEAL, there is only one program for forestry certification (FSC), one for fishery certification (MSC) and three for farm-goods (Rainforest Alliance Certified, organic and fair-trade).

ISEAL has considered the “proliferation” question and divides it into two:

- (a) Are there so many labels that consumers feel overwhelmed and reject them all?
- (b) Are the labels that are not-for-profit and mission-driven threatened by the proliferation of self-interested seals from business interests?

Consumer research, sales of certified products and marketing tests suggest that the answer to the first question is “no”. Credible new seals supported by NGOs arouse more interest in environmental issues and in ethical shopping. The ISEAL member programmes are all growing rapidly, indicating that consumers are turned on, not off. The second question is more difficult. ISEAL members want to differentiate their voluntary and objective labels from the self-interested company or sector programmes. The increase in private-sector labels may threaten meaningful labels by diluting the distinctive power of NGO labels.

7. We would be wary of government attempts to control, give preference to, or “rationalise” labels. In our experience, it is better to let the market determine which labels will succeed and grow, by letting consumers decide. After all, the very core rationale for labels is to give consumers more choice and a way to exercise their buying power to benefit the environment.

8. The success of ISEAL label programs suggests that we can change forestry, farming, fishing and manufacturing. We can demonstrate that Rainforest Alliance Certified changes behaviour of producers, of forest managers and farmers—not just practices, but behaviour and even attitudes.

9. ISEAL has studied the question of whether environmental labelling reduces trade opportunities to developing countries and found no indications that voluntary labels restrict exports. Quite the opposite: credible label programs can open new, premium markets.

10. On the question of an international environmental labelling system, there are already several international labelling systems that are members of ISEAL, including Rainforest Alliance Certified, which is active in more than 50 countries. ISEAL has found no conflict with WTO rules.

CONCLUSION

As a growing human population threatens ecosystems around the world, the Rainforest Alliance sees certification as an increasingly important tool for driving continual positive change. Certification is a means, not a goal. It provides an effective method for ensuring that natural resources are managed for the long term. Certification offers land users and businesses guidance on producing goods and providing services according

to responsible and efficient practices that will not deplete resources or negatively affect the environment or local communities. And through the purchase of certified products, consumers have the opportunity to “vote with their wallets”/to influence corporate commitment to sustainability.

With today’s growing emphasis on corporate responsibility and in view of consumer demands for environmental and social accountability, certification provides a market-based solution for producers, businesses, and consumers. Certification offers consumers clear choices and the chance to purchase products that are guaranteed to come from environmentally, socially and economically responsible sources. The Rainforest Alliance and SmartWood certification logos ensure that the product was produced in a sustainable manner, that impacts on the environment and local communities were minimised and that the workers involved were paid good wages and provided with safe working and living conditions. For landowners and producers, certification is a way to make their operations more efficient and sustainable and to gain public recognition for doing the right thing. As consumer support for certification grows, the Rainforest Alliance is working to ensure that certified manufacturers and producers will be rewarded in the marketplace wherever possible, providing them with an increasing incentive to adopt more sustainable practices.

We are extremely grateful to the Environmental Audit Committee for initiating this important inquiry and hope this brief submission is helpful.

26 September 2007

Memorandum submitted by the Food and Drink Federation

1. SUMMARY

In relation to food products in general, FDF strongly believes that:

- all labels must be clear, credible and consistent;
- product labels should take a lifecycle approach and be underpinned by a uniform assessment methodology;
- on-pack labelling should not be considered the only way to communicate information to consumers;
- the introduction of any new label should always take into account existing initiatives and other on-pack labels in order to avoid profusion and overlapping messages that could provoke consumer confusion;
- the possible need for an accompanying education campaign should also be considered to ensure a new label is understood by consumers and will lead to a net environmental benefit;
- wherever possible, the implementation of labels, as well as other consumer messaging, should be done across the supply chain to ensure consistency and thereby not mislead the consumer; and
- any environmental labelling scheme should not hinder trade flows or create any discrimination against imported products.

2. INTRODUCTION

The Food and Drink Federation (FDF) represents the UK’s food and drink manufacturing sector which is the UK’s largest manufacturing sector. FDF’s membership comprises manufacturers of all sizes as well as trade associations and groups dealing with specific sectors of the industry.

We help our members operate in an appropriately regulated marketplace to maximise their competitiveness. We communicate our industry’s values and concerns to Government, regulators, consumers and the media. We also work in partnership with key players in the food chain to ensure our food is safe and that consumers can have trust in it.

A successful food and drink sector is a vital component of a healthy UK economy. For instance: our industry directly employs 500,000 people, and as many as 1.2 million in ancillary services; it accounts for 15% of the UK’s total manufacturing sector by value; and it is an invaluable partner to British agriculture buying two-thirds of what farmers produce.

3. ENVIRONMENTAL LABELLING

(a) *Products requiring labelling*

Any consideration as to whether further food products or sectors should be included under an environmental scheme labelling must ensure a uniform approach across all food product sectors to avoid any confusion on the part of the consumer.

FDF considers that there is much scope for improving on pack recycling information to help consumers recover more household packaging including in respect of compostable packaging.

(b) *What should be shown under a labelling system*

In general, FDF believes that information shown on labels should be understandable and lead to a net environmental improvement. Labels which relate to the product should cover all major impacts along the life cycle and be supported by a uniform assessment methodology.

Concerning the issue of carbon footprinting, FDF fully supports the development of a single, robust measurement methodology. In this respect FDF is currently working with the Carbon Trust and the British Standards Institute (BSI) to help develop a Publicly Available Standard measuring embodied greenhouse gas in products and services.

However FDF wishes to stress that a distinction should be made between measurement on the one hand and labelling, with no automatic assumption that labelling is the way forward as other means of communication, such as company web sites, point of sale information, may be just as appropriate.

(c) *The case for rationalising environmental labels*

Rationalisation is important for two main reasons. First it is important to avoid the pitfalls of nutritional labelling when developing environmental labelling and not to end up with a multitude of approaches for conveying essentially the same information with all the confusion this can cause for the consumer. Second, from a practical standard point it is important to limit the number of labels simply because of the lack of space on packs given the amount of statutory information (eg ingredient listing) which already has to be displayed.

(d) *The impact of environmental labelling on consumer behaviour*

A number of surveys have demonstrated the potential confusion amongst consumers resulting from use of a multitude of approaches to convey the same kind of information. This reinforces FDF's position on labels: they need to be simple, widely supported and utilised through the supply chain and easily understood by consumers.

In some cases, for a label to be effective, it needs to be supported by a public education campaign. This is the case for example with the development of home compostable packaging.

(e) *The regulation of environmental labelling*

FDF acknowledges the need for organisations to work together to develop and promote viable labels which communicate effectively and efficiently. In cases where the label links in with an associated standard then its use should be subject to meeting the requirements of that standard, including verification.

(f) *Exports from developing countries and international labelling system*

Any environmental labelling scheme should not hinder trade flows or create any discrimination against imported products which do not display the label. The EU or national governments cannot prevent imported products without environmental labelling from entering because this would not be WTO compatible.

An international environmental labelling system would need to strike a balance between achieving environmental standards and the risk of facing problems with key trading partners. The challenge of convincing developing countries to see the benefits of strengthened standards in the environmental area should not be overestimated. Such a system would require international guidelines and it should build where possible on existing, even voluntary, sustainability schemes or platforms. However, even if the EU were to develop environmental standards, it would still be difficult for the European Commission to impose its standards on its trading partners.

Memorandum submitted by Flybe

EXECUTIVE SUMMARY

1. Flybe is Europe's largest regional airline, and will carry 7 million passengers in 2007. We acquired British Airways regional carrier BA Connect in March of this year and now offer 157 routes from 56 European airports, including 22 in the UK.

2. We are a proudly regional airline and have long served transport isolated communities like Belfast, Exeter and the Channel Islands, more recently introducing services from Inverness, Southampton, Newquay, the Isle of Man and Norwich. Our passenger profile is, unlike other low cost operators, some 45% business travellers.

3. We would like to thank the Committee for the opportunity to issue this information after the formal deadline for this inquiry. I hope you will find our experiences helpful to your work.

4. At Flybe, we accept that human activity, including aviation, has an impact on climate change and we are determined wherever possible to mitigate that impact. To this end, we have committed more than \$2 billion to new aircraft that will significantly reduce our carbon footprint, and establish one of the most environmentally sensitive fleets in the world.

5. Flybe is also the first low cost airline to offer our passengers the opportunity to offset the carbon emissions of their flight. Carbon offsetting does not offer a panacea to climate change, however it is part of the solution. We believe it is important to give our customers the chance to play their own part in ensuring that the environmental impact of their air travel is minimised by investing in carbon abatement schemes.

6. Most importantly, we believe that well informed consumer choice is the most effective force to drive environmental standards in the aviation industry. To help facilitate this, in May we launched aviations' first eco-labelling initiative.

FLYBE ECO-LABELLING SCHEME

Overview

7. Our eco-labelling scheme provides passengers at the time of booking via the internet with a detailed but user-friendly breakdown of the fuel consumption, carbon emissions and noise patterns of the aircraft type to be used on their journey. We shared the details with the then Transport Secretary Douglas Alexander and were delighted to receive the Department for Transport's support.

Operation and implementation

8. Each aircraft's eco-label is broken down into three component parts:

- *Local Environment* which assesses the aircraft's noise rating on an A (low) to F (high) rating; and the levels of CO₂ and NOX emissions on a Landing and Take-off Cycle basis.
- *Journey Environment* which grades fuel consumption and CO₂ emissions (kg/seat) on an internal, regional and short-haul sector basis and also on an A (low) to F (high) grading.
- *Passenger Environment* which contains information on minimum leg-room and the number of seats.

9. Our eco-label is available online at the time of booking, on the side of all our aircraft as passengers enter a plane, and in the back of all seats once passengers are on board.

10. The scheme was subject to an assurance process by international consultancy firm Deloitte, and we have included an example of our eco-label at the end of the document.

CONCLUSION

11. We believe the early stages of this initiative have been a success, and Flybe now wishes to extend this successful scheme to other airlines. We have been developing this concept with independent technical advisers.

12. Eco-labelling is an effective initiative, providing operators with incentives to invest in environmentally sensitive technologies, as consumers will be more aware of the impact their journey is making. In our view, well informed consumers are the most effective force to drive environmental standards in the aviation industry.

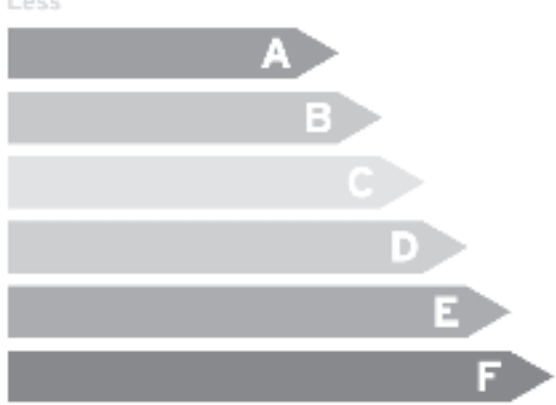

13. If the Committee would like any further information on this initiative, we would be very happy to discuss this with you, or to provide oral evidence.

December 2007

APPENDIX 1

ECO-LABEL EXAMPLE

The following is an example of Flybe's eco-label for our Embraer 195 aircraft. These new planes are helping to make our fleet one of the most environmentally sensitive in the world:

Flybe Embraer 195		flybe.
Local Environment		
Noise Rating Less  More		
Take Off & Landing CO ₂ Emissions		C (2066kg)
Take Off & Landing CO ₂ Emissions (per seat)		17.5kg
Take Off & Landing Local Air Quality ¹		7kg
Journey Environment		
Total Aircraft Fuel Consumption By Journey Length	Domestic (500km)	B (1677kg)
	Near EU (1000km)	B (2719kg)
	Short Haul (1500km)	B (3962kg)
CO ₂ Emissions Per Seat By Journey Length	Domestic (500km)	B (45kg)
	Near EU (1000km)	B (73kg)
	Short Haul (1500km)	B (106kg)
Passenger Environment		
	Minimum Leg Room	30"
	Number Of Seats	118
¹ Emissions of Nitrogen Oxides as an indicator of the effects on local air quality		

Memorandum submitted by BSI British Standards (BSI)

EXECUTIVE SUMMARY

1. Our view is that for a label to be effective both in the market place, and to the consumer, it must be comparable. There must be a standardised method to underpin all sustainability and environmental schemes.

2. BSI Private Standardization Services has worked with DEFRA and Carbon Trust in the development of a single methodology to measure the embodied GHG emissions of products and services. A similar approach of creating a single methodology should be adopted if other environmental labels are under consideration, such as assurance schemes, and integrated farm management.

BSI BRITISH STANDARDS

3. BSI British Standards is the UK's National Standards Body (NSB) and was the world's first. It represents UK economic and social interests across all of the European and international standards organizations and through the development of business information solutions for British organizations of all sizes and sectors. BSI British Standards works with manufacturing and service industries, businesses, governments and consumers to facilitate the production of British, European and international standards.

4. Part of BSI Group, BSI British Standards has a close working relationship with the UK government, primarily through the Department for Business, Enterprise and Regulatory Reform and the Department for Innovation, Universities and Skills.

5. BSI British Standards is a non-profit distributing organization, which means that any profits are reinvested into the services it provides.

EAC LINES OF APPROACH

Products requiring labelling

6. Although few of the standards developed by BSI British Standards are enforceable, if an environmental label were to become mandatory, we would see our role as the National Standards Body as being in the development of a methodology behind such a label.

What should be shown

7. Carbon emissions are currently the most widely recognised metric in this area, and we see this as a key focus for a label. Paragraph 2 details our work in this area.

8. We would support the need for other metrics supported by standards including, water usage, waste, energy consumption, ecological impacts, etc. Such a method would negate overlaps and ensure consistency. Our expertise in standards development could be applied to other metrics.

The case for rationalising environmental labels

9. Our view is that concerns over the proliferation of environmental labels are founded if the labels are not based on standardised methodologies. As may already be the case for some environmental food labels, comparisons cannot be made if the criteria behind different labels is not coherent.

Existing international labelling standards

10. There are an existing raft of International standards that might help with creating internationally recognised labels and declarations. These are:

- BS EN ISO 14020: 2004 *Environmental labels and declarations—General Principles*
- BS EN ISO 14021: 2001 *Environmental labels 14021:2001) and declarations —Self-declared environmental claims (Type II environmental labelling)*
- BS EN ISO 14024: 2001 *Environmental labels and declarations. Type I environmental labelling. Principles and procedures*
- BS ISO 14025: 2006 *Environmental labels and declarations. Type III environmental declarations. Principles and procedures*

11. From a BSI perspective, we would see an international labelling system as feasible on the condition that the methodologies were based on internationally agreed standards. BSI can play a role through its representation at ISO (International Organisation for Standardization). British Standards have gone on to be adopted worldwide, for example ISO 9000.

RECOMMENDATIONS

12. We would recommend that any future environmental labels be based upon standardized methodologies, based upon consensus. A precedent has been set by the development of the standardized methodology to calculate the embodied GHGs in products and services.

13. We envisage a partnership approach with Government and industry as the means to progress this area of work.

October 2007

Memorandum submitted by BT**1. EXECUTIVE SUMMARY**

1.1 Individual electricity products/tariffs should be labelled with environmental impact information; including CO₂ intensity information of a quality appropriate for use in CO₂ footprint reporting.

1.2 This should be achievable by: extending the current Fuel Mix Disclosure requirement down to the individual product/tariff level; and enhancing the calculation methodology so that it utilises actual, rather than standardised, CO₂ information.

1.3 Attributes of electricity—such as actual CO₂ intensity, and other environmental impact information—should be tracked through the electricity system using a tracking system consistent with the European E-TRACK standard.

1.4 Regulation of the labelling of electricity with environmental impact information (including CO₂ intensity) should be sufficiently robust to ensure that the existence of financial premiums for differentiated products is justified. Third party auditing of relevant evidence against power supplied should occur annually with defined penalty/refund requirements for non-compliance.

2. INTRODUCTION TO THE SUBMITTER

2.1 BT consumes approximately 2.2 TWh of electricity in the UK each year (circa 0.7% of total UK electricity consumption). A majority, 98% of this, is sourced from Renewable or Low Carbon generation (42% LEC-backed Renewable, and 56% LEC-backed Good Quality CHP), making BT one of the largest consumers of green electricity in the UK.

2.2 Procurement of this low and zero carbon electricity is one part of BT's strategy towards meeting an ambitious target of an 80% reduction in CO₂ emissions (compared with a 1996 baseline) by 2016. Other aspects of this strategy include: investment in carbon saving energy efficiency initiatives across BT's network, estate, data centres, fleet, and business travel; and construction of 250 MW of wind capacity at BT sites across the UK.

3. PRODUCTS REQUIRING LABELLING: ELECTRICITY

3.1 Most products are labelled with details of their ingredients, many products are labelled with energy performance information, and some products now contain carbon footprint information. However electricity products/tariffs are not labelled with their ingredients or their associated carbon footprint information.

3.2 Electricity consumption is one of the largest components of the environmental impact (and carbon footprint) of a business or household. Therefore, the choice of which electricity product/tariff to procure has the potential to be one of the single most significant decisions that a household or business can make, with respect to its environmental impact.

3.3 Fuel Mix Disclosure (FMD) currently requires electricity suppliers to disclose their average overall fuel mix each year, as a percentage of supplied electricity sourced from each of the following five categories of fuel type: Renewable; Nuclear; Gas; Coal; and Other. BERR publishes standardised environmental impact factors (in g CO₂/kWh and grams of high level radioactive waste per kWh) for each of these five fuel-type categories. Suppliers use these standardised factors to estimate the average overall environmental impact of all electricity that they supply each year; publishing this alongside the percentage breakdown of their fuel sources.

3.4 However FMD does not require suppliers to provide either: the Fuel Mix or the estimated environmental impact of the individual products/tariffs sold to householders and businesses. This means that FMD information cannot typically be used by households and businesses to differentiate between products/tariffs on the basis of associated environmental impact, carbon footprint, or type of fuel (although a small number of suppliers do, voluntarily, provide fuel mix and environmental impact information for each of their tariffs).

3.5 BT recommends that the provision of Fuel Mix and environmental impact information should be compulsory for all electricity, at the individual product/tariff level, and that a transparent and robust system for the transportation and auditing of the required information should be applied universally across the UK electricity system.

4. WHAT SHOULD BE SHOWN UNDER A LABELLING SYSTEM FOR ELECTRICITY

4.1 The Carbon Footprint associated with consumption of electricity should be shown under a labelling system for all electricity.

- 4.1.1 In an electricity market in which some products/tariffs are differentiated as low or zero carbon (LZC), and in which consumers of such LZC electricity are able to reduce their reported carbon footprint accordingly, no organisation should report the carbon footprint associated with its electricity consumption on the basis of an average national CO₂ factor for grid-supplied electricity.
- 4.1.2 Combining the differentiation of LZC electricity with the application of an overall average CO₂ factor results in a “double-counting” of the CO₂ benefit of that LZC electricity. This is because the carbon benefit has been counted both in the carbon footprint reporting of the consumer of the LZC electricity product/tariff, and as a component of the overall national average CO₂ factor used by other consumers.
- 4.1.3 The UK system currently combines differentiated LZC products/tariffs with the application of an average national CO₂ factor by consumers of standard electricity products/tariffs. It therefore “double counts” carbon benefit from grid-supplied LZC electricity.
- 4.1.4 This double counting problem could be removed by either:
 - preventing the differentiation of LZC electricity; or
 - labelling all electricity with its associated carbon footprint.
- 4.1.5 BT recommends that all electricity consumed should be labelled with its associated carbon footprint. Estimated or historical carbon footprint information should be provided for each product/tariff at the point of sale; and actual CO₂ information should be calculated annually and provided to householders and businesses retrospectively.
- 4.1.6 In this way organisations will be able to report accurately their carbon footprints in a way that is free of double counting, and that provides actual CO₂ Footprint information that should be consistent, overall, with the national GHG emissions database.

4.2 Information outlining the other aspects of the environmental impact associated with individual electricity products/tariffs should also be shown under an environmental labelling scheme, as should the type of fuel from which the power has been sourced.

4.3 Other aspects of environmental impact which could be shown as part of an environmental labelling scheme for electricity include:

- a clear indication of whether the product/tariff is “Nuclear-free” (including, if it is not nuclear-free, the high level radioactive waste associated with the product/tariff in grams per kWh);
- a clear indication of whether the product/tariff is sourced from Renewable generation; and
- an indication of whether there is any “additional environmental benefit” associated with the product/tariff (over that which would have occurred had the householder/organisation not purchased this electricity).

5. THE REGULATION OF ENVIRONMENTAL LABELLING FOR ELECTRICITY

5.1 The Carbon Footprint information provided to businesses and households should be calculated using actual CO₂ information.

- 5.1.1 As noted in paragraph 3.3 above, Fuel Mix Disclosure (FMD) currently requires each Supplier to annually disclose an estimated overall average CO₂ intensity relating to the electricity that they supply. This estimate is calculated by assigning, at point of generation, a standardised emissions factor to each of the five categories of fuel type; and by utilising these factors to estimate CO₂ intensity at the point of supply.
- 5.1.2 The FMD methodology for estimating CO₂ intensity in this way is inadequate for use on a label of the carbon footprint associated with consumption of electricity from an individual product/tariff. There are three reasons for this:
 - price premiums could not be justified on the basis of information calculated using the current FMD methodology; due to: a lack of transparency of the calculation process; and the likely lack of a liquid market in FMD evidence (Generator Declarations, and Renewable Energy Guarantees of Origin (REGOs)) under current practices;

- the use of standardised emissions factors for each category of fuel type will prevent any demand for LZC electricity products from signalling, to generators, a market demand for lower carbon techniques & technologies to be adopted within each fuel type category;
- estimation of carbon intensity, using standardised emissions factors in place of actual CO₂ data, is likely to make this carbon information inappropriate for use in carbon footprint reporting. This will be because of the reputational risk, upon carbon reporting organisations, of reported information being inconsistent with national data.

5.1.3 BT therefore recommends that the carbon information provided to households and businesses should be based on actual CO₂ emissions data rather than standardised factors.

5.2 Attributes of each unit of electricity generated—including type of fuel, associated environmental impact, and actual CO₂ intensity—should be tracked through the electricity system to the point of supply/consumption.

5.2.1 A European standard—the “E-TRACK” standard—has been developed for the purpose of tracking consistently all electricity attributes through the electricity system. This standard is beginning to be adopted in the policies of member states, and in policy development at the EU level.

5.2.2 Tracking of UK electricity using a system that is consistent with the E-TRACK standard should: help prevent double counting of attributes, and aid consistency between the UK & European electricity markets, and between future UK & European electricity market policies.

5.2.3 Tracking of actual CO₂ intensity through the electricity system should:

- improve the quality of CO₂ intensity information at point of supply;
- provide a robust mechanism for consumer demand for low carbon electricity to be signalled by the market to generators; and
- support consumer trust in a market for low carbon electricity through improving transparency.

5.3 Regulation of the labelling of electricity with environmental impact information (including CO₂ intensity) should be sufficiently robust to ensure that the existence of financial premiums for differentiated products is justified.

5.3.1 Third party auditing of relevant evidence against power supplied should occur annually for an annual reporting period.

5.3.2 Where all power supplied is not matched with appropriate evidence, residual values should be assigned by a third party certification body. These residual values should be calculated using a transparent methodology following “settlement” of all available evidence.

5.3.3 Where a product/tariff has been sold on the basis of a stated environmental impact attribute (such as having CO₂ intensity of less than 200g CO₂/kWh), but does not meet this upon settlement of evidence against power supplied, the supplier should be required to make up any shortfall by either purchasing additional evidence, or refunding consumers of that product/tariff appropriately.

5.3.4 Evidence of electricity attributes should be available for purchase by businesses and third parties—in addition to suppliers—so as to encourage the development of liquid markets for this evidence; and to thus improve transparency and consumer confidence in price premiums.

25 January 2008

*This is an embargoed
advance copy. Not to be
published in any form until
00:01 on 23/03/2009*

193H 578-0-2'5-52922-0



9 780215 529220

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ISBN 978 0 215 52922 0