

Understanding the Effective Use of Green Product Labels

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Purchasing more environmentally preferable products and engaging in other sustainable behaviors is becoming the "new normal" for the majority of American adult consumers, with approximately 80% of consumers reporting that they frequently or occasionally purchase so-called "green" products.[1,2] However, purchasers are confused by the plethora of vague and sometimes misleading terminology used to distinguish more environmentally preferable products in the marketplace. This confusion can lead to purchaser confusion, and even skepticism, about the real meaning and value of greener products.

If consumers are confused about environmental claims, so too are companies and organizations. Frequently, well-intentioned efforts to find favorable positioning in the market for green products fail to pass muster with regulatory officials and "truth-in-advertising" requirements. The positioning problem can be compounded by a company's lack of information about the environmental profile of a product throughout its entire lifecycle, resulting in product sustainability claims that are incomplete or offset by other, environmentally negative, product characteristics.

This UL white paper discusses the importance of objective and verifiable environmental claims for products, and provides guidelines for the development and use of effective and legal claims in the marketing of green products. The paper begins with a review of leading causes of false or misleading environmental claims, known as greenwashing, and details the risks associated with such claims. The white paper then summarizes recommendations for effective environmental claims as detailed in the FTC's Green Guides. The paper concludes with recommendations for companies and organizations on the benefits of a comprehensive approach to assessing the environmental preferability of their green products.



The Demand for Greener Products and the Future for Greener Companies

From virtually every perspective, greener products and services represent an important market opportunity for companies and organizations, now and in the years ahead. The U.S. Department of Commerce has estimated the size of the U.S. domestic market for so-called greener products and services at more than $400-500 billion annually.[3] And, despite the 2008-2011 economic slowdown in the U.S., the growth rates of greener market segments reportedly outpaced growth in comparable conventional market segments, such as organic foods, green building products, and renewable energy. Three out of four companies reported an increase in the sale of greener products during that period, with nearly half (49%) reporting an increase of 10% or more.[4]

UL's own research supports these and other findings regarding the overall strength of the green economy. Between 2009 and 2010, field surveys of retail stores in the U.S. and Canada showed a 73% increase in the number of green product offerings available. In more than a quarter of stores surveyed the number of green products available for sale increased by more than 200%.[5]

Clearly, increased demand for green products by consumers and business-to-business buyers has supported the growth in green market segments and in the number of green product offerings. But what's good for buyers is apparently good for business as well. According to one survey,[6] 79% of companies strongly agreed that offering green products and services gave their business a competitive advantage. In addition, 89% reported that the green products and services they offer are at least as profitable as alternative offerings, with 31% indicating that green products and services are more profitable. As a result, 75% of survey respondents reported that they plan to expand their portfolio of green products and services in the future.

Furthermore, as buyer demand continues to increase, a commitment to sustainable products and business practices is likely to become a competitive requirement in many industries. Researchers predict that buyer focus on sustainable products and practices will reach a "tipping point" in the coming decade, making sustainable products the new mainstream norm. As consumers, employees and governments increasingly integrate sustainability considerations into their daily purchasing decisions, companies and organizations that fail to offer green products and services will face declining market share and industry irrelevance.

The Challenge of Effective Environmental Claims

As the demand grows for green products and services, so does the number of terms and phrases used to describe various environmental characteristics of products and producers. There are numerous green product and service buzzwords currently in the marketplace, many of which lack clear and consistent definitions, and – more importantly - which fail to meet the FTC Guidelines for green marketing:

RAW MATERIALS AND COMPONENTS	PRODUCT POST-USE CHARACTERISTICS
Fair trade	Reuseable
Sustainably harvested	Refillable
Pesticide free	Recyclable
Unbleached	Biodegradable
Carbon neutral	Compostable
	Landfill safe
PACKAGING	**PRODUCER VALUES**
Recycled	Ethical
Reusable	Socially responsible
	Transparent

The lack of clear, consistent claims can result in even reputable companies unintentionally making inaccurate or misleading claims regarding their environmental practices, or the environmental or health-related performance of their products. This practice, commonly referred to as "greenwashing," undermines otherwise well-intentioned efforts to educate buyers, and leads to increased confusion and mistrust in the marketplace.

- **The "hidden trade-off" claim**—This form of greenwashing occurs when a manufacturer suggests that a product is "green" based on only one or two attributes, while ignoring other important environmental characteristics. For example, sanitary paper is not necessarily "environmentally preferable" simply because it comes from a sustainably harvested forest. Other factors in the paper production process, such as energy use, greenhouse gas emissions, and water and air pollution, may be just as important.
- **The absence of proof claim**—Environmental claims without proof cannot be substantiated by easily accessible supporting information, leaving it to a buyer to determine the validity of the claim. A common example is the use of the "biodegradable" claim on a cleaning chemical product without providing a test method as proof.
- **The vague claim**—Some environmental claims are so broad or so poorly defined that their real meaning is likely to be misunderstood or misinterpreted by a buyer. For instance, cleaning products often claim to be "natural" or "nontoxic," but these terms can be considered misleading without further substantiation or elaboration.
- **The irrelevant claim**—Other environmental claims may be truthful and accurate, but are unimportant or unhelpful for buyers attempting to evaluate competitive products. For example, to claim that an aerosol product is free of chlorofluorocarbons ("CFC-free") is irrelevant since CFC use is banned by law.
- **The "lesser of two evils" claim**—In this case, an environmental claim may be true but risks distracting a buyer from more significant environmental aspects of a given product. For example, a cigarette could be labeled "organic" but still expose smokers to harmful health effects.
- **The false claim**—Some environmental claims are simply false or inaccurate. In some cases, manufacturers falsely claim that their products are "ENERGY STAR-certified" or "ENERGY STAR-registered," when they are not.
- **False or misleading labeling"**—Finally, some manufacturers use images or words that imply third-party endorsement of their products' environmental characteristics, even though no such endorsement exists. For instance, some fake environmental labels can be purchased for use through the Internet for a few dollars.

Unfortunately, according to UL research,[9] the practice of greenwashing remains rampant in the green marketplace. Using tests based on U.S. and Canadian regulatory frameworks for environmental claims and internationally accepted guidelines, more than 95% of evaluated products found on in retail stores employed one or more forms of greenwashing. The "absence of proof" claim was found in more than 70% of products, followed by vague claims (about 65%). Examples of vague claims include use of the terms "eco-friendly," "environmentally friendly," and "earth friendly." False or misleading labels were found in connection with more than 30% of products.

The Risks of Making False or Misleading Environmental Claims

In addition to confusing buyers, the practice of greenwashing or making other inaccurate or misleading claims regarding the environmental characteristics of a product may subject companies and organizations to enforcement activities by government agencies. In the U.S., for example, the Federal Trade Commission (FTC) can take enforcement action against companies who use deceptive claims in the labeling, marketing or promotion of their products. The FTC's authority in such matters, which is granted under Section 5 of the FTC Act addressing truth in advertising, can lead to cease and desist orders and financial penalties.[10]

In one recent case,[11] the FTC imposed a $450,000 civil penalty against a Michigan packaging company that made repeated environmental claims regarding its paper products' biodegradability without "competent and reliable scientific evidence." As part of its settlement with the FTC, the company also agreed to refrain making future unsubstantiated claims regarding the environmental benefits of its products. In a separate set of cases,[12] the Commission ordered three mattress retailers to cease making unsupported claims that the mattresses they sell are free of potentially harmful volatile organic compounds (VOCs).

In addition to U.S. federal oversight of environmental claims, regulators in California are using that state's restrictions against false or misleading advertising to curb the use of any "untruthful, deceptive or misleading environmental marketing claim, whether explicit or implied." State regulations also require manufacturers and distributors who promote green products to maintain written records documenting the basis for any representation of a product's environmental benefits.[13]

Aside from enforcement actions by government authorities, false or misleading environmental product claims can expose companies to civil legal actions. For example, California's State Attorney General's office filed a lawsuit in 2011 against two bottled water companies for allegedly claiming that their plastic water bottles were 100% biodegradable and recyclable.[14] Regardless of whether similar civil claims filed by government officials or consumers are upheld in court, they are time-consuming and costly to defend.

Finally, the "court of public opinion" may present the most damning of all consequences for companies and organizations that rely on false or misleading environmental claims. Adverse publicity stemming from enforcement actions or civil litigation can result in quick and precipitous loss of market share, as buyers switch allegiances to other competing products. Such losses can almost immediately reverse long-term efforts to build brand and product reputation.

UL's Approach to Accurate Communication of Environmental Product Claims

UL approaches the issue of transparency in environmental claims for products from a unique perspective. Rather than adopting a single approach, we recognize that a variety of tools may be needed to usefully communicate the desired sustainability information to varied audiences with specific information requirements.

UL has identified various levels of purchaser focus and interest in environmental sustainability, and the types of information appropriate to that interest level. Here is a brief summary:

- **"Don't Know, Don't Care"**—Purchasers who do not want or need information on the environmental sustainability of the products are not likely to respond to any type of sustainability claim and may even react negatively to such claims if they have preconceptions about the performance of "greener" products.
- **Issue-Specific Interest**—Some purchasers seek information regarding a product's performance in connection with a specific human health or environmental concern, such as recycled content or biodegradability. Appropriate ways to target these customers include single attribute claims verified by UL, indoor air quality certified by UL's GREENGUARD certification program, or UL certification of energy efficiency claims to the criteria of the U.S. EPA's ENERGY STAR® program.
- **Multi-attribute Focus**—Others recognize that every purchase they make has multiple sustainability impacts and that focusing on a single environmental attribute might minimize attention to other important attributes. Multi-attribute sustainability labels, such as UL's ECOLOGO® label, address multiple environmental and social aspects of a given product.
- **Structured Data Reporting**—Moving beyond established sustainability benchmarks, some customers seek direct access to performance data addressing a wide range of sustainability factors. In this way, they can identify factors of greatest importance and apply individualized performance benchmarks as appropriate. For these customers, environmental product declarations (EPDs) and lifecycle assessments (LCAs) provide data in a standardized reporting format that facilitates analysis and comparison
- **Data Mining**—This last interest level includes decision makers who seek to develop their own frameworks for evaluating the sustainability of the products they purchase, using the resulting information to better align product performance with larger sustainability objectives. Customers in this group include large retailers and manufacturers with sophisticated supply chains.

By determining in which group ones customers most likely belong can help companies identify the most effective methods for communicating its products sustainable aspects to those audiences. These groups are not mutually exclusive, and a company may determine that it is best served by using multiple tools to send its sustainability message.

Making Effective Environmental Claims

According to the FTC, an environmental claim or representation is considered to be deceptive if "it is likely to mislead consumers acting reasonably under the circumstances and is material to consumers' decision." Following this definition, the validity of any environmental claim is dependent upon the context of its use, and how an individual consumer would interpret the claim. Therefore, providing an explicit framework within which to formulate valid environmental claims presents a significant challenge.

To assist in the clear and effective use of legitimate environmental claims, the FTC has published its Green Guides,[15] which provide companies and organizations with guidance on acceptable labeling and marketing claims for the environmental characteristics of products. First issued in 1992 and most recently revised in 2012, the Green Guides outline general principles that apply to all environmental labeling and marketing claims as well as recommendations on how marketers can qualify their claims to avoid misleading buyers.

The general principles detailed in the Green Guides that apply to all environmental claims include:

- **Qualifications and disclosure—** All qualifications or disclosures regarding environmental marketing claims should be clear, prominent and understandable, using plain language and large type. Such statements should also be in close proximity to the relevant environmental claim, and avoid the use of visual elements that could distract a consumer from the disclosure itself.
- **Distinction between benefits of product, package and service—** Environmental claims should make clear whether the claim applies to the product, the product package, a service, or to just one or two of those elements.
- **Overstatement of environmental attribute—**Environmental claims should not be overstated, either directly or by implication. Claims regarding environmental benefits that are negligible should not be stated or implied.
- **Comparative claim—**Any comparative environmental claims should be clear and supported by substantive information.

The balance of the Green Guides offers detailed guidance and specific examples for various types of environmental claims, including:

- Compostable claims
- Degradable claims
- "Free of" claims
- Non-toxic claims
- "Ozone safe" and "ozone friendly" claims
- Recyclable claims
- Recycled content claims
- Renewable energy claims
- Renewable materials claims
- Source reduction claims



Although the FTC Green Guides are intended only as guidance documents and are not a substitute for FTC regulations, they offer extensive information that can help companies develop and promote valid environmental claims for their products and services. Compliance with the general principles and specific environmental claims guidance detailed in the Green Guides has also been effectively used as a defense in regulatory and civil actions related to the use of false or deceptive environmental claims. Therefore, companies and organizations should thoroughly evaluate their product environmental claims against this important Commission guidance

Important Considerations Regarding Eco-labels

Eco-labels have long been used as a method of substantiating environmental product claims. Today, there are an estimated 440 different eco-labels in use by 25 industry sectors in 197 countries around the world.[16] And this estimate doesn't include the growing number of false eco-labels that are readily available for sale on the Internet for just a few dollars.

The use of legitimate eco-labels generally implies a product's compliance with the requirements identified in a specific standard. However, the usefulness of eco-labels often depends on the standard on which they are based. Some of the key factors that differentiate one standard from another include:

- **Type of standard—**Standards used to evaluate products can address one or more environmental attributes. An eco-label based on a single attribute standard can be helpful in addressing critical impact areas. A multi-attribute standard evaluates the overall sustainability of a product, assessing impacts from resource extraction to disposal as well as a product's environmental and health characteristics.
- **Validity of the standard—**A valid eco-label standard should present specific requirements in a clear and consistent manner. Information gathered through the standard assessment process should be meaningful and verifiable.
- **The standard-setting process—** Standards developed and regularly reviewed and updated through a consensus process generally provide the necessary level of science-based objectivity. Standards that are publicly available and easily accessible also allow for greater transparency and a more thorough understanding of the criteria against which products are being evaluated.
- **The process of verifying compliance with the standard—**Verification of compliance with the requirements of a standard range from a company's self-verification of environmental attributes to third-party certification that may include on-site and/or post-certification audits. Third-party verification and certification in support of an eco-label program provides stronger evidence of objectivity and independence.

An eco-label program that is based on a standard that requires the use of independent third parties to evaluate multiple product attributes is a good way to provide buyers with strong evidence of a product's overall environmental characteristics. A labeling program based on a standard requiring third party evaluation of a single product attribute (such as product emissions) provides purchasers with targeted, detailed achievement information of specific criteria claims (low-emitting, for example). Companies and organizations should thoroughly evaluate the standards used when choosing suitable eco-label programs for their products.

A Comprehensive Approach to Positioning Green Products

As noted earlier in this paper, the green economy is rapidly becoming an important target market for savvy companies and organizations. Avoiding the use of false or misleading claims in the marketing of green products is important, since it sets the tone for a company's relationship with its customers. But it is only a first step for those companies seeking to establish environmental leadership in their respective industries.

Indeed, leading companies are beginning to evaluate the full scope of a product's environmental impact. This approach starts with an evaluation of product-specific attributes. But it can also include an evaluation of the environmental factors related to the actual production of a product, such as the energy efficiency of manufacturing and distribution operations and the generation of greenhouse gases and other hazardous

substances as a production byproduct. A thorough environmental impact evaluation can even extend to the company itself, whether it has a credible environmental management system in place, and the degree to which it is transparent with a full spectrum of stakeholders about its total environmental impact.

Companies and organizations seeking to achieve greater transparency regarding their overall environmental performance may want to begin with the use of environmental product declarations (EPDs). An EPD is a comprehensive, independently verified neutral disclosure of the environmental impact of a product throughout its entire life cycle, from product design to its final disposal. A typical EPD might include information on a product's carbon footprint, and its potential impact on global warming, ozone depletion, water pollution, the acidification of land and water, and others. As such, it provides purchasers with a more comprehensive understanding of the hidden environmental impact of the products they buy, thus leading to a more informed purchasing decision.

Companies and organizations that take an expanded view of their environmental responsibility do more than simply promote legitimate environmental claims for their products. Their motivation is greater than selling more products than their competitors. Instead, they seek innovative ways to limit their overall environmental impact, thereby helping to improve the lives of customers, employees and the larger communities they serve, and building a strong base of active and loyal customers in the bargain.

Summary and Conclusions

The market for green products and services is growing rapidly, and companies and organizations are working to position their offerings to take advantage of this emerging economic giant. However, false and misleading environmental product claims serve only to confuse buyers, and their use puts companies at risk for regulatory or legal consequences. The FTC's Green Guides provide companies with clear principles and guidelines on the legitimate use of environmental product claims, and eco-label programs are an important tool to substantiate such claims for buyers. However, continued success in the green marketplace requires companies to take a closer look at the hidden environmental impacts of their products and to view environmental responsibility as an essential part of corporate and social citizenship in the modern world.

UL offers a wide array of certification, validation and testing services to support manufacturers of sustainable products, including ECOLOGO and GREENGUARD product certification. UL's environmental product declarations (EPDs) provide transparency and a view into lifecycle impacts, while environmental claim validations serve to affirm single-attribute environmental claims to meet regulatory requirements or buyer specifications. Finally, UL offers corporate sustainability certification and advisory services in support of company-wide sustainability programs.

For more information about these and other environmental and sustainability services, visit www.ul.com/environment.

[1] "The Social Norm Tipping Point," Green Living Pulse '12. Report by The Shelton Group. Web. 19 September 2013. http://sheltonsites.com/sheltongrp1/files/2012/10/GreenLivingPulse2012_executive-summary.pdf.

[2] In this paper, use of the term "green" includes all types of product marketing, ranging from a manufacturer's own label to claims of third-party certifications and verifications.

[3] "Measuring the Green Economy," U.S. Department of Commerce, Economics and Statistics Administration, April 2010. Web. 22 November 2013. http://www.esa.doc.gov/sites/default/files/reports/documents/greeneconomyreport_0.pdf.

[4] "The Big Green Opportunity for Small Business in the U.S.: Small Business Sustainability Report, 2013," Compiled by Green America, Association for Enterprise Opportunity, and EcoVentures International, 2013. Web. 19 December 2013. http://biggreenopportunity.org/wp-content/uploads/2013/05/Big-Green-Opportunity-Report-FINAL-WEB.pdf.

[5] "The Sins of Greenwashing, Home and Family Edition, 2010," p.11. Web. 10 December 2013. http://www.sinsofgreenwashing.org/index35c6.pdf.

[6] "The Big Green Opportunity for Small Business in the U.S." See Note #4.

[7] "Intuit 2020 Report: Twenty Trends That Will Shape the Next Decade," Authored by Emergent Research in partnership with Intuit, Inc., October 2010. Web. 19 December 2013. http://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit_2020_report.pdf.

[8] The New Rules of Green Marketing: Strategies, Tools, and Inspiration for Sustainable Branding, Ottman, Jacquelyn A., San Francisco, CA, 2011, p. 35.

[9] "The Sins of Greenwashing, Home and Family Edition, 2010" See Note #3.

[10] "Advertising FAQs: A Guide for Small Business," U.S. Federal Trade Commission, Bureau of Consumer Protection. Web. 4 September 2013. http://business.ftc.gov/documents/bus35-advertising-faqs-guide-small-business.

[11] "FTC Cracks Down on Misleading and Unsubstantiated Environmental Marketing Claims," Press release, U.S. Federal Trade Commission, October 29, 2013. Web. 19 December 2013. http://www.ftc.gov/news-events/press-releases/2013/10/ftc-cracks-down-misleading-unsubstantiated-environmental.

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[13] Business and Professions Code, Section 17580.5, State of California. Web. 19 December 2013. http://www.leginfo.ca.gov/cgi-bin/displaycode?section=bpc&group=17001-18000&file=17580-17581.

[14] "Environmental Law: Cleaning-Up Greenwashing: The Regulation of Environmental Marketing Claims," from the website of Jackson, DeMarco, Tidus and Peckenpaugh, September 19, 2012. Web. 19 December 2013. http://www.jdtplaw.com/article/20120919-environmental-law-cleaning-greenwashing-regulation-environmental-marketing-claims.

[15] Title 16: Commerce Practices, Part 260—Guides for the Use of Environmental Marketing Claims," (aka, The Green Guides), U.S. Federal Trade Commission. Web. 19 December 2013. http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=5de11e010afaa51af478dbd337f0cad6&rgn=div5&view=text&node=16:1.0.1.2.24&idno=

[16] "Ecolabel Index," Ecolabel Index Advisory Services. Web. 10 December 2013. http://www.ecolabelindex.com/.

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