

Forum: United Nations Environment Programme

Issue: The ethical implications of greenwashing.

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Introduction

In the past, the global efforts which have pushed for sustainability have drawn attention and emphasized the need for corporate environmental responsibility. Along with all the companies who are genuine in terms of maintaining their environmental responsibility, there are many others that engage in greenwashing. The act of misleading consumers about the environmental benefits of one's product or practices. There are instances where many corporations simply say they are reducing harm to the environment and do not practice this such as claiming that they are 'green' or do implement practices that are 'less harmful' than others. Companies greenwash when they overstate, exaggerate or outright fabricate the environmental benefits of their products and processes in a way that actively (and often intentionally) misleads consumers into thinking they are making more eco-friendly choices than is actually true.

Such deceptive marketing is particularly concerning at a time when climate change and environmental destruction are major global concerns. Greenwashing undermines the trust of consumers and detracts from the authenticity of sustainability by allowing companies to benefit from the 'environmentally friendly' image without actually benefiting environmental causes. For instance, corporations may state they are environmentally friendly through logo or publicity or engaging in practices promoted as 'less detrimental' than other practices, only for the corporations' environmental effect to be deleterious or unchanged at best. These deceptive actions can obscure real work done to address important environmental issues and confuse consumers who want to buy environmentally sound products.

It is with this background that this report seeks to address the ethical concerns surrounding greenwashing, the impact that it has on consumers, firms, and sustainability practices and the ways in which to resolve the problem. Besides, this report will also discuss probable measures to tackle greenwashing, including the development of new rules and guidelines as well as increasing the awareness of consumers as to encourage the companies and organizations to report only the accurate and effective information in the course of the struggle for sustainability.

Definition of Key Terms

Greenwashing

A deceptive strategy in which companies/brands label themselves as environmentally sustainable in the marketing or branding although such firms' environmental effectiveness is still very low.

Sustainability

The act of meeting the present wants or needs of the current generation without depriving the next generation from meeting their wants or needs. This mainly looks into the environmental, social, and economic concerns.

Corporate Social Responsibility (CSR)

The integration of social and environmental concerns in the operation of one's business and their interactions with their respective stakeholders, instead of only considering the economic profits.

Sustainability Reporting

It is the disclosure of a company's social, environmental and economic actions. The purpose of sustainability reporting is to make stakeholders aware of the ramifications of their operations. However, these disclosures will in most occasions be self-generated hence management can definitely control sustainability reports and lead to green washing.

Carbon Footprint

The overall amount of emission of direct and indirect greenhouse gasses by an individual, organization, or product. Firms are able to reduce their visibility of their real carbon footprint by making greenwashed claims.

Eco-Labeling

A type of label that represents whether or not a product meets the specific environmental standards. While most eco-labels are regulated and verified multiple types, as seen above, others are likely to give misleading information or are otherwise part of the phenomenon known as green washing.

False Advertising

This is the act of presenting false or fake information regarding a product's features and or advantages. In the case of greenwashing, false advertising refers to a situation where some companies give out information concerning the environmental effects of their products or activities when in reality it is not true.

Key Issues

Misleading Consumers

Greenwashing is particularly harmful to consumers, especially those who are going about the business with the aim of promoting an environmentally sustainable lifestyle. IBM research revealed that 85% of consumers around the world in the year 2022 made their purchases with an emphasis on how their decisions affected the environment. Yet, many firms see this demand as an opportunity to make more profits by providing misleading information on their products or services.

For example, H&M, a multinational retail company that sells apparels and accessories, recently came under a lot of criticism for naming clothing collections as “Conscious” and just general environmental statements with inadequate clarity as to the Company’s sustainability initiatives. This made the consumer believe they were buying products that were environmentally friendly, while, in actual sense, the brand adopted practices of fast fashion that exploited the scarce natural resources without conservation.

Impact on Genuine Sustainability Efforts

Greenwashing can create a false sense of progress toward sustainability, enabling companies to make themselves look green without actually changing much about their operations. This compromises on real attempts by negating focus and resources from organizations which are willing and proactive to minimize their ecological impacts.

In a report by TerraChoice in 2020, out of a sample of 1,000 products labelled ‘green’ in North America, 98% was deemed greenwashers, being either being overstated or had no third-party certification. These practices greatly weaken genuine sustainability efforts because clients cannot differentiate between genuine sustainable products and superficial ones.

For instance, Volkswagen recently suffered a major blow after it put in place a software in some of its cars that would enable it to pass emissions tests despite its vehicles emitting up to 40 times the legal limit of Nitrogen Oxides. The scandal not only gave Volkswagen a bad image but also cast doubt on the automotive industry's initiatives on sustainability.

Regulation and Accountability

There is no rigid rule at international level when it comes to regulation and penalty for such practices like greenwashing. Though some countries have provided guidelines such as the European Union Unfair Commercial Practices Directive, and the FTC Green Guides in the United States, several business entities are still exploiting these gaps by making their products green without suffering any implications of it.

The European Commission's consumer survey in 2021 revealed that out of 42% of online environmental claims made by companies were overstated, plain wrong, or misleading. In many cases, due to the lack of benchmark, standardized criteria and fines, governments find it challenging to penalize enterprises. However, a recent indication that some regulatory efforts may be being stepped up was the action taken by the Australian Competition and Consumer Commission (ACCC) against firms accused of greenwashing. For example, the ACCC punished companies including Woolworths and Coca-Cola for making false claims on their environmentally friendly products and this shows the need for tough enforcement.

Ethical Concerns

Greenwashing is clearly an ethically questionable practice. Self-regulation by packaging companies as well as compliance-induced self-regulation generates consumer trust and undermines the effectiveness of legitimate environmental efforts by companies; they are equally self-regulating and benefiting in the short-term while making long-term environmental health worse.

The ethical implications do not end at deception of the consumers; they embrace environmental unfriendliness especially because they create a spiral of distraction and delay. For instance, a company that displays a ‘carbon-neutral’ label may still emit significant levels of CO₂, the opposite of what the global push for climate change mitigation is all about. This can be very demoralizing, especially to activists and concerned consumers who want to purchase from any business, even if they are a large company, that is making the most positive impact on the environment.

One of its ethical issues is the case with the BP company which changed the name ‘British Petroleum’ and advertised it the ‘Beyond Petroleum’ company and although half of the commercials show the company investing in green energies, more than sixty percent of the revenues came from hydrocarbons. This kind of rebranding does not change much, apart from creating the perception of newness; it misleads the public and water-down the urgency of climate change.

Major Parties Involved and Their Views

Multinational Corporations

MNCs are an essential part of the world economy, and most of them have been on the receiving end of accusations of greenwashing with the aim of fueling an ever-rising demand for green products. Oil companies, fast moving consumption goods and consumer durable companies are the major offenders. They label themselves as “Organic” or “Green” to get people with such tendencies and yet they go on polluting the environment.

For instance, ExxonMobile is one of the largest oil and gas corporations globally, which has started advertising the quantity of money invested in renewable energy. But more recent investigations by ProPublica revealed that ExxonMobil’s investment in green energy was dwarfed by its continued investment in fossil fuel projects, and its so-called

greenwashed claims. Like it, Shell has marketed its carbon-neutral services, but much of its activities directly affected the climate crisis by exploring and drilling for oil and gas.

In a 2021 report by Global Witness, companies in the oil and gas industry spend \$ 70 billion on marketing as climate friendly while accelerating fossil energy investment. This strategy deceives the public and hammers down the process towards addressing climate change issues.

Environmental NGOs

Many environmental non-governmental organizations implementing policies in greenwashing include Greenpeace, Friends of the Earth, and the World Wildlife Fund (WWF). These organizations have therefore been vocal in the demasking of companies that make fake or exaggerated environmental claims and called for regulatory changes together with corporate accountability.

Most organizations have criticized the oil and gas industry for greenwashing, with Greenpeace leading the fight. A very recent example from Greenpeace came in 2020 when it exposed BP's new identity as Beyond Petroleum as the company pumped huge amounts of money into its fossil fuel business. Greenpeace therefore urged governments to put more measures in place to curb departmental self marketing and encouraged consumers to be wiser with the trolley.

Rather, Friends of the Earth has advocated for laws that would influence firms into legal responsibility for their green claims. They claim that this process is counter-productive toward combating climate change as it provides people with a placebo effect. It's their campaign that usually aims at sectors such as the fast fashion, where some firms give a negative impression about being environmentally friendly with their clothes.

According to the global organization WWF in their survey carried out in 2021, 53% of consumers felt “betrayed” when they realized that the green credentials of the company, which they were consuming, were fake or exaggerated, which is the ill effect of greenwashing.

Consumers

Consumers are at the center of the greenwashing problem because they are the principal stakeholders that have to deal with false environmental communications. As the demand towards eco-friendly products and services is emerging and growing stronger and stronger around the world, a consumer often fails to distinguish a genuine environmentally friendly product from a fake one decorated with images of an environmentally friendly product.

Statista reported that 72% of consumers in 2022 prefer to purchase products from organizations with a similar outlook with a focus on sustainability. But the same survey also pointed out that only 58% of consumers say that they do have difficulty in determining whether the environmental claims being made by the company are authentic or a mere case of greenwashing.

Of all the industries where measuring this task has been a challenge, the most popular is the fast fashion industry. Companies including H&M and Zara have been criticized for greenwashing basically because while packaging their clothes under “consciously” or “sustainably produced” brands, the companies are still involved in exhausting and pollutive activity like mass production and disposal of textiles. Sophisticated consumers, who want to choose healthy products, become victims of such advertisements.

Governments and Regulatory Bodies

Most governments and regulatory bodies have the responsibility of putting in place laws and regulatory frameworks that check some companies from issuing out environmental friendly claims when in real sense they are not. Yet, the effectiveness of such regulations differs immensely across one country against the other as well as the regions.

The EU was among the bodies seeking to address greenwashing through the Unfair Commercial Practices Directive (UCPD) to ensure users' protection based on the legal duty of both substantiation and truthfulness by sellers. Recently, in 2021, the European Union initiated the New Consumer Agenda which has provisions for reducing greenwashing by increasing the severity of charges on those organizations that are involved in the practice. The European Commission in one of its reports established that 42% of the green claims made by the European companies are either overstated, untruthful or misleading.

The Federal Trade Commission (FTC) in the United States also has a tool known as the Green Guides that looks at ways in which corporations can deceive the public with regards to their environmental practices. The 2012 versions of these guides dictate that companies have to make the environmental benefits easily identifiable, specific and verifiable. However, it has had difficulties in enforcement and the FTC has been accused of not rigid enough against corporate wrongdoers indulging in greenwashing.

There across the world, the Australian Competition and Consumer Commission noticed that it has been actively going after companies for false environmental claims. Last year, in 2022, the Australian Competition and Consumer Commission or the ACCC penalised Unilever Australia for the improper representation of a product saying that it was biodegradable. This action initiated the clamour for corporations' responsibility for greenwashing in Australia.

However, due to the absence of universally standardized regulatory policies, it becomes relatively simple for transnational firms to keep perpetrating greenwashing especially of areas that lack strong legal measures.

Development of Issue/Timeline

Date	Event	Outcome
1960s	Emergence of Greenwashing	The term 'greenwashing' originated after some organizations started considerably marketing their products as being environmentally friendly due to the emerging trend in environmental conscious citizenry.
1 October 2010	FTC's Revised "Green Guides" was	The U.S. Federal Trade Commission (FTC) revised its Green Guides offering firms making environmental claims in commercial communications clear rules prospective for preventing greenwashing in the United State.
18 September 2015	Volkswagen "Dieselgate" Scandal	Volkswagen unveiled that it falsely calibrated emission systems on its diesel cars to pass them off as green. This led to some massive

		legal cases and fines of over \$30 billion throughout the world.
17 March 2023	EU Adopts New Rules on Green Claims	The European Parliament imposed new rules that force companies to back their environmental statements with proof. This was done to counteract growing cases of the practice commonly referred to as greenwashing across different industries.

Previous Attempts to Solve the Issue

Strengthening Consumer Protection Laws

Due to growing incidence of greenwashing, laws for consumer protection in several countries have been upgraded in order to address and control the issue of environmental marketing claims. In the United States, for instance, the Federal Trade Commission (FTC) has time and again brought changes to the Green Guides to offer better direction on the environmental assertions posted by firms. The last major revision was in 2012 with a focus on making certain that organisations offering any environmental claims give support to the same. For example, if it is indicated on a product that it has been designed as biodegradable, this must contain certain information that is regulated by the FTC. This legislation’s objective is to safeguard the consumer from being sold unfounded promises and to make sure most organizations are not get away with their greenwashing.

Corporate Accountability Initiatives

The CDP or Carbon Disclosure Project founded in 2000 helps companies, cities, & governments to report on climate change risks and opportunities. It enables the stakeholders to evaluate the sustainability of a firm with regard to the environment

information which is available to the public. CDP services run over 13 000 organisations showing their environmental impact in 2021, which helps consumers and investors make the right choices and helps companies make more environmentally friendly decisions. Furthermore, the Science-Based Targets Initiative (SBTi), started in 2015, helps organizations to set targets on emission reductions that are in pariface with what is scientifically necessary to avoid the worst impacts of climate change, all the while cementing the role of commitment in business sustainability practices.

Certification Programs

There is a robust certification that has been created to separate the real green company from those who are only pretending to be green. For instance, the B Corp Certification measures corporate social and environmental impact, and only certifies companies that have made stiff commitments to accountability as well as disclosure. Thanks to the rising popularity, more than 4,000 companies from around the globe passed certification to obtain the B Corp status until the beginning of 2023. Another well known system is the Global Reporting Initiative (GRI) that offers a list of guiding preparation of sustainability reports on ways in which organizations affect the world. When adopting these certification programs, firms show their sincerity about sustainability and signal to consumers which companies are genuine, and which ones are simply greenwashing.

Possible Solutions

Stricter Regulations and Enforcement

To effectively combat greenwashing is through even more stringent laws and regulations on the state and international level, as well as from their coordinated and efficient compliance. This can involve revising the conception of what environmental claims are, and determining what rules have to be put in place in order for a company to correctly advertise a product as 'green' or 'sustainable'. For example, the Green Claims Initiative, initiated in the EU in 2021, has the goal of offering guidelines for businesses making

environmental statements, which could be followed in other areas. Through putting the measures and consequences that include fines or sanctions, authorities can be able to compel organisations from providing misleading information. Besides, constant supervision and checking by the law enforcement bodies , as well as independent audits, would add more credibility and commitment to the notion of sustainability, and guarantee proper functioning of the business world, encouraging companies to act responsibly and implement authentic sustainability policies.

Independent Auditing and Certifications

The most potential benefit of an independent auditing and certification is seen in the fact that while the legitimacy of managerial claims regarding corporate sustainability has a. There are independent bodies which can ascertain the effects that the firm's operations may have in the environment besides touching on the laid down benchmarks. For instance, the B Corp Certification and the ISO 14001 for environmental management systems help in determining the extent of company sustainability. By insisting on these certifications firms are assured that consumers place more trust in genuine environmental claims than otherwise. Second, it also means that the creation of a public registry of companies certified with environmental standards would help consumers to distinguish which company is environment-friendly and support them, hence promoting real sustainable companies in the market.

Public Awareness Campaigns

It becomes increasingly imperative to heighten public awareness of greenwashing, so that change can be brought to consumers, and for them to change into responsible and seeker citizens and so that the companies follow genuine sustainability practices. Awareness can be raised through educational programs targeting greenwashing techniques which people should use while evaluating anyone's environmental claims. For instance, Greenpeace and Consumer Reports are among the organizations which have started campaigns focused on raising awareness of consumers on deceptive advertising and how they can

assess a firm's sustainability. Through the use of facebook, seminars, participating in community, these campaigns can spread throughout the public and make the public think. With increasing awareness, the buyers can demand firms to act sustainably through appropriate actions that give a positive transformation when applied on companies' operations.

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