

GENERAL SECRETARIAT

Sustainable Development

GOOD PRACTICES IN PROMOTING SUSTAINABLE CONSUMPTION IN OECD COUNTRIES

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Delegates will find attached a report on Good Practices in Promoting Sustainable Consumption in OECD Countries, which is provided as background information for the AMSDE discussion on "Promoting Sustainable Production and Consumption."

Action: Delegates are invited to send comments on this report to the Secretariat by 31 October 2007.

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INTRODUCTION

1. Promoting sustainable consumption and production are important aspects of sustainable development, which depends on achieving long-term economic growth that is consistent with environmental and social needs. Most government policies in this area focus on stemming the environmental impacts of unsustainable industrial production practices, primarily through regulations and taxes. Promoting sustainable consumption is equally important to limit negative environmental and social externalities as well as to provide markets for sustainable products. This paper highlights OECD government initiatives to promoting sustainable consumption and the results of recent analyses regarding the effectiveness of these approaches.

2. In this study, sustainable refers to both the environmental (pollution, waste, resource use) and social (health, welfare) characteristics of products. It focuses on consumption by households and governments (public procurement). It discusses government tools and instruments (*e.g.* regulations, taxes, subsidies, communications campaigns, education) put in place to encourage sustainable consumption. It also discusses approaches for protecting consumers from misleading information on sustainability in areas such as labelling, advertising and corporate reporting.

3. The trend towards considering the social dimensions of sustainable consumption has led to more attention to how products are produced. Consumers are increasingly concerned with not only the polluting or health effects of the consumption of products, but also the impacts which that consumption may have on the factors of production, including workers and resources. As a result, sustainable consumption policies and initiatives are broadening to take into account the effects of processes as well as products, provision of services as well as goods, social as well as environmental aspects, and lifestyles and behaviour as well as purchasing patterns.

4. Increasingly sophisticated approaches are being used by governments to target policies to consumer groups based on better understanding of social and economic behaviour. Mixes of instruments tend to be more effective in promoting sustainable consumption in certain product groups. The complexity and array of government tools and initiatives directed at sustainable consumption underline the need for more integrated programmes as well as further institutionalisation of sustainable consumption in legal frameworks and national sustainable development strategies. These trends are also reviewed here.

5. This study is part of the OECD contribution to the UN Marrakech Process, which is the global process for implementation (by 2012) of Chapter 3 on Sustainable Consumption and Production of the World Summit for Sustainable Development (UNEP/UNDESA, 2007a). It draws on work being done within various OECD Committees (including the Environment Policy Committee, Committee on Consumer Policy, and Trade Committee) and the seven Marrakech Task Forces led by OECD countries: 1) sustainable buildings and construction (Finland), 2) co-operation with Africa (Germany), 3) sustainable public procurement (Switzerland), 4) sustainable lifestyles (Sweden), 5) sustainable tourism (France), 6) sustainable products (United Kingdom), and 7) education for sustainable consumption (Italy).

REGULATIONS AND STANDARDS

6. Mandatory government actions to promote sustainable consumption include labels and performance standards to limit damages from products when they are consumed or used. In terms of changing consumption patterns, these tools are the most direct policy instruments for eliminating unsustainable products from the market. As the range of consumer concerns widens, governments are being called on to regulate more products in the interest of the environment and general welfare.

7. The most common sustainability-related performance standards are those aimed at reducing energy use, *e.g.* promoting energy efficiency in household appliances, effectiveness of home insulation, and fuel economy in motor vehicles. These standards have become stricter and more widespread as climate change concerns intensify. The Marrakech Task Force on Sustainable Products, led by the United Kingdom, is focusing on energy efficiency standards for lighting, home entertainment products and electric motors through Global Sustainable Product Networks (GSPN). The Task Force also intends to include computers, standby power, and waste and water use issues and to set targets for phasing out the least sustainable products in these categories.

8. Most OECD countries have established mandatory energy efficiency standards for a variety of household appliances, most commonly refrigerators, air conditioners, washers and dryers, heating, ovens and lighting. For example, Canada amended its Energy Efficiency Act in 2006 so that 80% of the energy used in homes will soon be regulated. The European Union has established minimum efficiency standards for hot-water boilers, refrigerators and florescent lighting. Under the Energy-Using Products Directive of 2005, the EU is considering energy efficiency standards for a fuller range of consumer products including other appliances, computers, printers and electronics.

9. Standards for lighting efficiency, with the intent of phasing out less efficient incandescent light bulbs, have been introduced in Australia and Canada. Australia was the first country to announce that incandescent light bulbs would be completely phased out by 2010 and replaced by florescent models which use about 20% of the electricity to produce the same amount of light. Canada has developed new standards with the intent of eliminating incandescent lighting by 2012.

10. In many OECD countries, household appliances have to display an energy efficiency label and are grouped into different categories with an indication of energy consumption levels. For example, the European Union has issued a directive for labelling of refrigerators, washing machines, tumble dryers, dishwashers, lamps, air conditioners, and electric ovens. EU Member states have the responsibility to ensure that the labelling schemes are accompanied by educational and promotional information campaigns aimed at encouraging more responsible use of energy by consumers. Several countries, including Canada and New Zealand, are proposing to extend these labels to electronic equipment such as televisions and home entertainment products. Studies show that labels for promoting energy-efficient consumption have not increased consumer prices (IEA, 2007).

11. Labelling is also used to provide information to consumers on their recycling obligations to encourage greater involvement in the collection and recycling of products and packaging waste. Labels often show the collection and recovery systems available to consumers, the meaning of markings on the

packaging itself, and the consumer role in recovery and recycling. Symbols may be required which indicate the type of materials a product is made of, whether it is composed of recycled parts, whether it can be recycled, and/or compliance with a recognised recycling scheme, *e.g.* the *Green Dot* in Germany.

12. Mandatory labelling on consumer products for health reasons includes warning labels on cigarettes, health-declaration requirements for nutritional values of food products, labelling of foods with genetically modified contents, and labelling rules for organic food. Nutritional labelling is a main tool for preventing increasing rates of obesity and unhealthy diets in OECD countries. While the need for nutritional labels has generally been accepted, debate continues on their comprehensiveness in terms of elements covered as well as clarity and ease-of-use for consumers. Studies show that compulsory food labelling has a greater influence on consumer behaviour than energy efficiency labelling.

13. Nutritional labelling is now in place in Australia, New Zealand, Canada and the United States, with the latter two prescribing easy-to-read tabular formats. The US Food and Drug Administration (FDA) has recently issued a regulation requiring manufacturers to list trans fats on the nutrition facts panel required for prepackaged foods. At the same time, localities such as New York City are imposing minimum standards for the level of trans fats in certain food products owing to their contributions to high cholesterol and heart disease. The European Union, through its recently published White Paper on strategies for health, diet and obesity, is reviewing the need for making nutrition labels obligatory.

14. Many OECD countries, following intense consumer demands, require labelling of foods containing genetically modified organisms (GMOs). This applies in all European Union countries, Norway, Switzerland, Iceland, Korea, Japan, Australia and New Zealand. Growing demand for organic food, coupled with consumer confusion and deceptive claims, has prompted many OECD countries to require that only government-certified producers can use the term “organic”. This includes all European Union countries, Canada, Japan and the United States. For example, the USDA organic label certifies that dairy, wine, produce, grains, and processed and frozen foods have been produced and processed consistent with national organic standards (no hormones, antibiotics, genetic engineering, radiation, synthetic pesticides or fertilizers). The European Commission has also issued regulations on the use of the word “organic” when marketing agricultural products.

Box 1. Good Practice Examples: Regulations and Standards

Australia and New Zealand: Mandatory energy efficiency rating labels, now recognised by more than 95% of consumers, complement Minimum Energy Performance Standards for a comprehensive range of household electrical products. www.energyrating.gov.au

Mexico: Energy consumed in Mexico by household appliances fell by more than 50% due to standards and labels developed for washing machines, refrigerators, water heaters, lights, water pumps, boilers, thermal insulation materials and other household products. www.ises.org/sepconew/Pages/Efficiency_Standards_MX/document.pdf

United States: The US Nutrition Labelling and Education Act requires labelling on all prepackaged foods in the form of a ‘nutrition facts panel,’ including nutrients associated with diet-related disease. http://www.fda.gov/ora/inspect_ref/igs/nleatxt.html

TAXES AND CHARGES

15. By raising prices on less sustainable products, taxes and charges can be effective in influencing consumer behaviour towards sustainability. These tools help internalise negative externalities and let the market play the critical role of changing purchasing patterns. Taxes and charges can be more cost effective than regulations, which may require intensive monitoring efforts, in terms of enforcement and control. Taxes are more efficient than regulations from an economic point of view and give more flexibility to households and firms to adapt. These market-based instruments also raise revenues that can be used to offset other taxes (on labour or capital) or for environmental and social purposes (OECD, 2006c).

16. Generally, taxes and charges will influence consumers only if the financial stimulus is strong enough to enter the decision-making process. Too often, taxes and charges to promote sustainable consumption are not set at a sufficiently high level. They may be more effective as part of a wider tax reform strategy. For example, countries such as Austria, Finland, Germany and Sweden have tax-shifting programmes to introduce more environmental taxes in place of those on capital and labour. In cases of disadvantaged groups of consumers, taxes can be graduated according to consumption levels, combined with compensation for poorer households or accompanied by offsets in different areas of taxation (OECD, 2006c).

17. When targeting consumers and households, taxes and charges can help limit car emissions, (*e.g.* fuel taxes, purchase or registration taxes, congestion charges) household energy consumption (*e.g.* CO₂ taxes, electricity taxes), water use, and household waste (*e.g.* waste disposal taxes, packaging taxes). In the health area, taxation is most commonly used to reduce tobacco and alcohol consumption.

18. Taxes on motor fuels are applied in all OECD countries and often form the bulk of environmental tax revenues. In Europe, taxes on motor fuels are 40-60% of the sales price, as compared to 20-25% in the United States. The European car fleet is more energy efficient, with up to 2-3 times lower unit emissions of CO₂ from transport than the United States (EEA, 2006). Tax differentiations for low sulphur and unleaded fuels also apply in most OECD countries, with the result that the bulk of petrol now sold is unleaded.

19. Several countries have taxes which apply to the energy efficiency of the vehicles themselves. The United States introduced a tax on the purchase of fuel-inefficient vehicles as part of the Energy Tax Act in 1978, although this does not apply to SUVs or other semi-large vehicles that qualify as light trucks. Canada has recently introduced an excise tax on fuel inefficient vehicles calculated on the basis of weighted average fuel consumption. Because voluntary efforts at the European level to cut individual car emissions have not been successful, many countries are introducing 'gas guzzler' taxes for high-emission vehicles.

20. Congestion charges are another approach to limiting environmental damage from automobiles. Currently on the political agenda in several European countries is an expansion of road-charging schemes and congestion charges, particularly after the success of the London congestion charge (cars driving into the centre of the city during working hours pay a charge) and a similar scheme in Stockholm. New York City in the United States now plans to introduce a congestion charge. In the United Kingdom, this charge is waived for alternative fuel vehicles, including hybrids, while discussions proceed on basing the level of the

charge on vehicle CO₂ emissions. Such charges are shown to better internalise the environmental costs of driving than fixed registration or road taxes.

21. Charges and taxes are also levied on energy consumption, primarily electricity. The Nordic countries (Denmark, Finland, Norway and Sweden) introduced a CO₂ tax as part of their ecological tax reforms in the 1990s. Electricity is taxed upon delivery to the end user, with households tending to bear more of the tax burden than industry. Other countries with taxes on household electricity include Austria, Germany, the Netherlands, and parts of Canada and the United States.

22. Some countries tax water use, based on consumption, the size of the house or number of occupants. These include Australia, Canada, Mexico and most European countries. Progressively graduated water prices based on taxes have been effective in helping to reduce water consumption in countries such as Denmark and Hungary. The same countries generally also have charges on wastewater. Various waste user charges are applied at the household level in OECD countries and form part of overall sustainable consumption strategies in countries such as Japan, *i.e.* through its comprehensive *3R Programme* – “reduce, reuse and recycle”.

23. There are also taxes and charges on a wide range of polluting products, including batteries (Belgium, Denmark, Italy and Sweden); plastic bags (Ireland, Denmark and Italy); tires (Finland, Denmark and Sweden); and disposable cameras (Belgium). Many countries have deposit refund schemes, primarily for beverage containers, where consumers are charged when a product is purchased and this charge is refunded when the product or packaging is returned. Disposable beverage containers without deposit refund schemes are subject to charges in some OECD countries.

Box 2. Good Practice Examples: Taxes and Charges

Denmark: Household water consumption was greatly reduced by a 150% increase in the price of water through a combination of taxes -- water supply tax (41%), VAT (20%), variable water taxes (12%), green taxes (14%), variable taxes (9%), fixed wastewater charge (2%), and State wastewater tax (2%). www2.mst.dk/udgiv/Publications/2001/87-7944-519-5/html/app02_eng.htm

France: France (with the United Kingdom) has initiated discussions at the European Union level on temporary variations in VAT taxes according to a product's social and environmental performance as denoted by third-party certified labels. www.euractiv.com/.../production-consommation-ecologique-ue-mesure-differentes-options/

Ireland: A 15% levy on plastic bags reduced consumption of these bags by 92% and promoted the use of reusable bags by the majority of shoppers, with receipts going to a fund used to support waste management and other environmental initiatives. www.mindfully.org/Plastic/Laws/Plastic-Bag-Levy-Ireland4mar02.htm

SUBSIDIES AND INCENTIVES

24. Subsidies and incentives are given by many OECD governments as “carrots” to encourage consumers and households to make more sustainable product and service selections. These include monetary grants, donations of goods and fiscal incentives in the form of tax reductions. However, the amount of these sustainable consumption incentives is small when compared to environmental or social subsidies directed to production sectors. Still, they are valuable in encouraging households to make more sustainable choices and can help counter-act “stick” measures for more disadvantaged groups in society.

25. In general, subsidies and tax incentives only work if they close the price gap for more sustainable products or create significant tax rebates for their use. These instruments influence consumer behaviour by making sustainable choices less expensive. Incremental tax reductions or small subsidies do not by themselves create demand for more sustainable products. Also, subsidies or tax rebates which are complicated to apply for, or which have a long payoff time, may not be effective.

26. As in the case of taxes and charges, personal transport is a common target for subsidies and incentives in prompting consumers to buy lower emission, hybrid or alternative fuel vehicles. Schemes to encourage purchase of “cleaner” vehicles exist in most OECD countries, including France, Japan, Denmark, Norway, Netherlands, Sweden, the United Kingdom and parts of Canada. For example, in 2002, the Netherlands gave a subsidy of up to €1 000 for the purchase of energy-efficient cars for a one-year period, which increased demand more than 100%.

27. In the United States, tax credits were introduced in 2006 amounting to rebates of up to US\$3 400 for hybrid cars and US\$ 4 000 for alternative energy cars. The *ecoAUTO Rebate* programme in Canada encourages consumers to buy fuel-efficient vehicles by offering refunds from C\$1 000-C\$2 000. The Italian government has recently offered consumers a rebate of €1 000 to upgrade their cars to fuel-efficient models and €250 to swap their Vespas for bicycles. The United Kingdom has linked the tax rate on company cars purchased for employees to CO₂ emissions so that firms can realise up to 25% savings in tax for cleaner cars.

28. Other incentives to promote more sustainable transport include the provision of bicycles to commuters in major cities, pioneered in Amsterdam and recently taken up in Paris in the *Velib* scheme. The European Cities for Cyclists Network, launched in 1991, brings together 30 cities in 14 countries in promoting construction of bicycle lanes and donations of bicycles. In the United Kingdom, people who had never cycled to work were given bicycles for a certain time period, following which their attitudes towards cycling were assessed to ascertain the effectiveness of this approach.

29. Subsidies and fiscal incentives are also popular means for increasing home energy efficiency. Countries which offer financial incentives for sustainable household energy investments include Canada, France (equipment such as boilers), Denmark (energy-efficient windows) and the United Kingdom (insulation, water and space heaters). Under the *Warm Front* programme, the United Kingdom earmarked 1.2 billion pounds for improving energy efficiency in poor households. Sweden gives subsidies to single family households for investments in energy efficient systems for heating, water and electricity. Germany

offers interest-free ten-year loans as well as a guaranteed price for household solar heating installations. Solar and thermal water heaters are subsidised in Germany, Denmark and Spain (UNDESA, 2007).

30. A broader incentive approach to encouraging sustainable consumption is the *Nu Spaarpas* scheme launched in Rotterdam, the Netherlands, in 2002. Consumers earn green points when they separate waste for recycling, use public transport or purchase locally-produced, fair trade, or green products. The points can be redeemed for public transport tickets or discounts on sustainable goods. In this way, incentives were provided to change consumption behaviour when both earning and spending the points. Card scanners in participating outlets fed data into a central set of accounts. By the pilot's end in late 2003, 10 000 households had earned the card, over 100 retail outlets were participating, and 1.5 million points had been issued.

Box 3. Good Practice Examples: Subsidies and Incentives

Canada: Homeowners are encouraged to improve the energy efficiency of their homes through the *ecoEnergy Retrofit* scheme, introduced in 2007, which grants a maximum of C\$ 5 000 for this purpose.

<http://oee.nrcan.gc.ca/corporate/retrofit-summary.cfm>

France: The *Velib* (free bike) programme launched in 2007 will have 20 000 bicycles at more than 1 000 stations around Paris in the attempt to reduce car traffic and pollution. <http://www.velib.paris.fr/>

Netherlands: The local government and NGOs introduced a green loyalty point system called *Nu Spaarpas* which gives green points for sustainable consumer behaviour and allows points to be redeemed for sustainable products and services. http://www.nuspaarpas.nl/www_en/

COMMUNICATIONS CAMPAIGNS

31. Information and awareness-raising among consumers through public communications campaigns are commonly used in OECD countries to promote sustainable consumption. In earlier years, these were broad campaigns to promote environment-friendly purchases, *i.e.* Education for Consumption in Mexico, Consumption and Environment in Denmark, Eco-Buyer Campaign in Finland, Green Purchasing Network in Japan, and Consumer Pledge for Sustainable Consumption in Korea (OECD, 2000). However, general awareness campaigns by governments were not that effective in promoting more sustainable consumption patterns or lifestyles. For the most part, public authorities face tough competition when competing with the private sector for consumer attention.

32. More recent communications campaigns are sophisticated in their focus on single issues, advice on practical actions, and use of multi-media. These approaches to promoting sustainable consumption are often based on social marketing techniques which are 'customer-oriented' and use the concepts and tools of commercial marketing and advertising companies. Research, planning, targeting, using different tools, and sustaining the scheme over a period until results are achieved are the key ingredients in successful public communications campaigns (UNEP, 2005).

33. Government campaigns are frequently aimed at encouraging eco-friendly consumption habits. For example, Japan is building on cultural traditions to promote sustainable packaging and recycling through its *3R* campaign. In France, the government financed a television campaign, *Let us Reduce our Garbage: We're Overflowing*, targeting single-use throwaway products, excessive paper printing, and bottled water. In the United States, local governments financed the development of an advertising campaign on *Water: Use it Wisely* which highlights effective ways to save water in and around the home with the tagline "There are a number of ways to save water and they all start with you. You are water-saving device No. 1".

34. Diverse consumer campaigns are part of efforts to mitigate climate change. In Canada, the annual *Clean Air Day*, branded and coordinated by Environment Canada, links climate change issues with personal lifestyles, particularly transport modes. New Zealand mounted a print campaign entitled *The Big Clean-Up* to focus on, among other things, transport-related pollution; monitoring showed that campaign awareness among consumers was 50% and 12% of those polled had changed their behaviour. In Denmark, the *One Tonne Less* campaign was launched jointly by the Ministries of Environment and of Energy and Transport in 2007 to get citizens to reduce their greenhouse gas emissions based on a calculator of personal carbon emissions and suggestions for changing daily behaviour.

35. The United Kingdom has initiated the *Smarter Choices* personalised travel planning campaign as part of the wider Sustainable Travel Towns programme run by the Department of Transport to reduce consumer car mileage. In France, a government-sponsored television and radio campaign in 2006 sought to sensitize the public on how their actions contribute to climate change and biodiversity loss with the tagline "The little things aren't so little if 60 million of us are doing them".

36. Communications campaigns are becoming more common to encourage socially-conscious consumption. These include efforts to get people to stop smoking and also the anti-obesity campaigns in

the United States, United Kingdom and Germany, mostly aimed at reducing consumption of junk foods by children. Another target is cancer. Australia's anti-skin cancer *Slip!Slop!Slap!* multi-media campaign, which exhorted people to "slip on a shirt, slop on sunscreen, and slap on a hat and sunglasses," was later copied by other countries such as New Zealand and Canada.

37. The ethical dimensions of food consumption are also featured in government communications campaigns. The Austrian Environment Ministry in partnership with other ministries, retailers and NGOs, sponsors the annual *Sustainability Weeks* event to promote organic, locally-produced and fair trade goods under the theme "That's the Way to do It: Sustainably". Evaluations found that the campaign increased consumer awareness, particularly among women, and prompted greater numbers of retailers to join in successive years. Similarly, the German Development Co-operation Ministry mounted a large scale campaign (€3.3 million) to promote consumption of fair trade goods under the theme *Fair Feels Good*.

Box 4. Good Practice Examples: Communications Campaigns

Austria: From a successful beginning in 2004, *Das bringt's Nachhaltig* has become a yearly *Sustainability Weeks* event when thousands of retailers throughout the country promote and have special offers on organic, fair trade, and locally made products. <http://www.bmlfuv.gv.at/article/articleview/41053/>

France: The French environmental energy agency, ADEME, mounted a television communications campaign in 2005 to mitigate climate change, *Energy Savings: Hurry Up. It's Getting Hot*, where individuals tried to break through consumer apathy and suggested small steps for conserving energy. www2.ademe.fr

Japan: Japan launched its *Cool Biz* campaign in 2005 to lower CO₂ emissions by encouraging people to wear casual clothes and businessmen to go without ties and jackets to reduce the use of air conditioning. www.timesonline.co.uk/tol/news/world/article525496.ece

United Kingdom: The Climate Change Communication Initiative uses the latest multimedia techniques, including interactive websites, champion blogs, and films, to promote individual involvement in action against climate change under the theme *Tomorrow's Climate: Today's Challenge*. <http://www.climatechallenge.gov.uk/>

EDUCATION

38. Education is one of the most powerful tools for providing individuals with the appropriate skills and competencies to become sustainable consumers. UNESCO has designated 2005-2014 as the *Decade of Education for Sustainable Development*, to which the OECD will contribute by highlighting good practices in school curricula for sustainable development. Italy leads the *Marrakech Task Force on Education for Sustainable Consumption*, with the aim of producing lessons and practical exercises for sustainable consumption at all levels of education.

39. Many OECD countries are now teaching or developing curricula on sustainable development, which generally include material for promoting sustainable consumption. For example, a priority for the Austrian Federal Ministry of Education is to establish sustainable development education in relevant school curricula and provide step-by-step demonstrations on topics such as sustainable consumption. The Irish Sustainable Development Commission (COMHAR) Schools Pilot Project is developing ways of incorporating the key principles of sustainable development, including consumption, into the existing school curricula. The new Korean National Strategy for Sustainable Development has established a legal framework for sustainable development education, including consumer issues.

40. Other countries include education schemes as part of their sustainable consumption programmes. The Czech Republic is developing an *Action Plan for Education for Sustainable Consumption*, derived from its sustainable consumption framework programme. Finland's sustainable consumption plan includes promoting sustainable education as a main goal. The UK Action Plan for Sustainable Development in Education and Skills is linked to the proposals for action on sustainable consumption (*I Will if You Will*). The Swedish sustainable consumption programme (*Think Twice!*) contains educational components for promoting sustainable household consumption.

41. Some countries, such as Italy and the United Kingdom, are supporting the development of "sustainable schools" to prepare young people for a lifetime of sustainable living through teaching and day-to-day practices. In the UK programme, this includes social issues such as preventing obesity, fighting global poverty, and community involvement. The UK National Framework for Sustainable Schools identifies eight "doorways" through which schools can extend activity including consumption areas such as food and drink, energy efficiency, and local well-being; it also identifies where the government would like schools to be on sustainability by 2020.

42. Countries are also promoting the development of "eco-schools" where the institutions adopt environmental approaches in areas including curricula, buildings, waste management, and energy and materials consumption. The international *Eco-Schools Programme* was founded in 1994 as a way to involve young people in addressing sustainable development challenges at local level. The schools are involved in practical activities such as saving water and energy and recycling materials. There are more than 14 000 schools participating in the Eco-Schools network, mostly in Europe but also in countries such as South Africa.

43. Many countries, although they may not have eco-schools, sponsor environmental education including consumption issues at primary, secondary and tertiary levels of education. The Environmental

Education Network in Norway provides lessons and activities for students on waste separation and recovery and preventing air and water pollution. Through the *Schultrager 21* project in Germany, the Environment Ministry is sponsoring the German Foundation for Environmental Education contest for schools implementing projects to help reach the goals of Agenda 21.

44. Some OECD countries are introducing sustainable consumption as part of more general consumer education. Among the guidelines for consumer education developed by the Nordic Council of Ministers is that consumers should be able to assess the effects of their own consumption on the environment, to choose nutritious food which is environmentally-beneficial, and to practice sustainability at home. The Swedish Consumer Agency is developing education materials in accordance with stipulations by the Higher Education Act that sustainable household consumption be treated in courses on home economics and consumer affairs. Japan and Portugal are among those countries associating consumer education with sustainability, while in the Slovak Republic, the consumer agency works with the Ministry of Environment on consumer education.

Box 5. Good Practice Examples: Education

Australia: The National Youth Affairs Research Scheme (NYARS) sponsored *Sustainable Consumption: Young Australians as Agents of Change* which enumerated techniques to empower students to change their consumption patterns and act as catalysts for more sustainable lifestyles in the wider community. http://www.facs.gov.au/internet/facsinternet.nsf/aboutfacs/programs/youth-sustainable_consumption.htm

European Union: In a multi-country project entitled *Persuasive Power of Children Towards Energy Consumption*, students measured energy savings from different sources, received lessons on renewable energy, and participated in audits of school and household energy consumption. www.curbain.be

Italy: Italy, which chairs the Marrakech Task Force on Education for Sustainable Consumption, has set up a network of "Schole Futuro" or schools of the future which teach and practice environmental and social sustainability. <http://www.educazionesostenibile.it>

United Kingdom: The academic year 2006/2007 was the year of action on sustainable schools, sponsored by the Department of Education and Skills (Dfes), to provide resources and materials to help imbed sustainability in all areas of school life. www.teachernet.gov.uk/sustainableschools

VOLUNTARY LABELLING

45. One of the most commonly used instruments for influencing sustainable consumer choices is labelling (voluntary as opposed to mandatory), which has expanded to more products and countries in recent years. The most viable labels are those where environmental or social claims are verified by a third party, including governments and non-governmental organisations. These can be multi-criteria labels, which compare products with others in the same category on a number of impacts throughout their lifecycle, or single issue labels which refer to a specific environmental or social characteristic of a product, such as organic cotton, dolphin-safe tuna or sustainable forestry. These labels are most useful when they communicate complex information on sustainability in a simple way and provide transparency which enables consumers to make informed choices.

46. Studies show that the sustainability effects of labelling schemes are growing with heightened consumer interest in environmental and social issues in OECD countries. However, the general weaknesses of labels, including low levels of consumer awareness, criteria differences across products, market competition between various schemes, and possible technological lock-ins for business thus limiting innovation, still persist (OECD, 1997). The proliferation of voluntary labels on the market has also led to consumer confusion between self-declarations and third-party certified labels.

47. The effect of labels on purchasing patterns is more marked in some countries than others. The best-known environmental or eco-labels, in terms of high levels of consumer recognition and effects on producers, are the German *Blue Angel* (introduced in 1977) and the *Nordic Swan* (introduced in 1989). The former is applied to some 3 800 products from 710 companies, while the latter marks a similarly high numbers of products and has consumer recognition of up to 90%. Other countries with national eco-label schemes include Austria, Canada (*Environmental Choice*), the Czech Republic, the European Union (the *Flower*), France (*NF Environnement*), Japan (*Eco Mark*), Korea (*Eco Mark*), the Netherlands, Sweden (*Environmental Choice*), and the United States (*Green Seal*). Some of these eco-labelling programmes are run and certified by governments (e.g. Austria, Czech Republic), while others are administered by non-governmental agencies or organisations (e.g. Germany, Japan).

48. In the last decade, labelling instruments have spread to earmark social and or ethical goods and services, reflecting a shift in public opinion from purely environmental concerns to a more holistic approach to sustainability. The *Fairtrade* label and certification system, run by the not-for-profit international Fair Trade Labelling Organisation (FLO), is the best known and credible, having a number of standard criteria aimed at providing a livelihood and quality of life to small farmers in developing countries. Starting with coffee, tea and bananas, *Fairtrade* now covers some 2 000 products. In some OECD countries, such as Japan, Switzerland, France, Germany, the Netherlands and the United Kingdom, this label has had significant influence on consumers in taking an increasing share of the market for some products (e.g. 47% of the banana market in Switzerland, 20% of the UK coffee market) (FLO, 2005). Some OECD governments, including Austria, Germany, France, Sweden and the United Kingdom, are encouraging *Fairtrade* purchasing through giving financial support to the labelling organisations, sponsoring public campaigns, and including these products in public procurement rules.

49. Similarly, the *Rainforest Alliance* is influencing consumer choices by labelling products (and operations) as sustainable in terms of forestry and logging practices, preserving biodiversity, and ensuring sustainable livelihoods. Incorporated as a non-profit organisation in the United States, the group also works with tourism businesses to mitigate their adverse ecological and social impacts. *Rainforest Alliance* certified agricultural products include coffee, chocolate, bananas, orange juice, nuts and hundreds of other goods that come from farms where rainforest is conserved and workers receive fair treatment. The *Rainforest Alliance* projects its share of the world coffee bean market will grow to 10% in the next seven years, and its share of the world banana market will grow to 20% in the next five years. It also partners with the *Forest Stewardship Council* (FSC), which expects to leverage more than US\$2 billion in sales of FSC-certified wood in 2007.

50. New and more complicated types of labels are now appearing. For example, labels were introduced in the United Kingdom in 2007 to inform consumers of the “carbon footprint” of products based on grams of CO₂ emitted during production and distribution as verified through audits of participating companies. Belgium is promoting a “social label” directed at the social dimensions of production with criteria based on ILO conventions concerning work conditions, salaries, the freedom to form unions, banning of forced and child labour, and non-discrimination.

51. Voluntary labels can help promote sustainable consumption, but also raise issues of reliable certification and verification so as not to mislead consumers. In certain instances, environmental and social labelling has led to international trade concerns when they are seen as discriminating against imported, or in some cases, domestic products (OECD, 2007a). Labels are raising questions among consumers on contributions to sustainability across the life-cycle of products, e.g. the climate change effects of the air miles travelled by *Fairtrade* goods. A recent survey of US and UK consumers found that 9 out of 10 consumers remain cynical regarding business claims on mitigating climate change; they demanded more product-based information on company climate contributions with independent verification and assurance (AccountAbility/CI, 2007).

Box 6. Good Practice Examples: Voluntary Labelling

Germany: The Federal Environment Agency sponsored a consumer organisation to build a virtual platform on a broad range of labelling activities in Germany and Europe, where consumers get updated information on over 300 eco-labels and the certification systems behind every label. www.label-online.de

Nordic Countries: The strengths of the *Nordic Swan* eco-label, administered by the Nordic Council of Ministers, are its multi-country coverage (5 Nordic countries), high product uptake (1 200 products in 60 categories), government certification, and extensive brand awareness among consumers. <http://www.svanen.nu/Eng/>

United States: The voluntary Energy Star label denoting energy efficiency was introduced by the US Environmental Protection Agency and the Department of Energy in 1992 and has since spread to Australia, Canada, the European Union and Japan. (www.energystar.gov)

CORPORATE REPORTING

52. Corporate sustainability reporting is used by companies to inform consumers of their social and environmental values and practices beyond the sustainability characteristics of individual products, which are usually covered by labelling. Such information disclosure is now one of the main mechanisms by which consumers are informed of the environmental and social conditions under which products have been produced. In addition to goods-producing companies, sustainability reporting is being adopted by firms providing services, including financial (*e.g.* investments, insurance, pensions), tourism and transport. Reporting topics include corporate governance, environmental performance, health and safety of employees, community contributions, and supply chain management.

53. The role for governments in corporate information disclosure is unclear and ranges from increasing consumer awareness to protecting consumers from false information to requiring reporting in certain cases. The gap between corporate reporting and most notions of sustainable consumption is still large, *e.g.* not many reports look at how the company's product range supports sustainable consumption in terms of life-cycle and social impacts. While many companies have a good track record on corporate reporting, this may not necessarily match actual sustainability practices.

54. In some countries, led by Belgium, Denmark, France the Netherlands and Norway, corporate sustainability reporting is a legal obligation, mostly linked to annual financial reports. Some countries require sustainability reporting from certain sectors, such as pension schemes. Others actively encourage information disclosure and some provide certification and verification services. But in most OECD countries, sustainability reporting is voluntary with approaches varying by country, sector and company.

55. Companies now include information on sustainable development in different types of reports – annual, financial, environmental and sustainability. They are providing information in connection with global sustainability instruments – *e.g.* the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and the Global Reporting Initiative (GRI). Comparative corporate rating systems such as the *Dow Jones Sustainability Index* are based on compilations of reporting information. More than half of the world's largest companies now provide reports on environmental, social and ethical performance.

56. There may be potential impacts on international trade resulting from the increase in and diversity of reporting initiatives, just as there has been with regard to labelling programmes. As production and sourcing take place on an increasingly global scale, the credibility of reporting on traded products can be called into question and can represent non-tariff barriers. Consumers can be misled as to whether producers and sub-contractors collaborating within global supply chains meet stated objectives regarding ecological impacts and worker conditions (OECD, 2007a).

57. Special sustainability reporting systems are being developed for financial institutions, including the UN Principles for Responsible Investment – a global framework that incorporates environmental, social and governance issues – and the Equator Principles. There are also systems such as the Sustainable Banking Awards of the International Finance Corporation, which recognise leadership and innovation in incorporating environmental and social objectives into banking and finance operations. In many countries, there are special investment vehicles for consumers wishing to put funds in verified sustainable companies

and activities. The United Nations is encouraging the insurance industry to engage in more information disclosure outlining investments relating to climate change, health, lifelong income and environmental liability (UNFI, 2007a).

58. Several OECD governments are regulating information disclosure for pensions, particularly public pension schemes. In the United Kingdom, the Amendment to the 1995 Pensions Act requires pension schemes to state the extent to which they consider social, environmental or ethical issues in their investment strategies. Similar legislation has been enacted in France, Australia, Austria, Germany and Belgium. A recent UN report highlighted the pension funds that lead the way on socially responsible investment, including the ABP scheme for all Dutch government and education employees, and other major government pension funds in Sweden, Australia, France, Canada, Germany, Norway, Switzerland, the United Kingdom and the United States (UNFI, 2007b)

59. Another sector moving towards information disclosure and sustainability certification is tourism. The Marrakech Task Force on Development of Sustainable Tourism, led by France, aims to develop a more coherent approach for informing consumers of tourism sustainability including standards, certification, and reporting. Several European organisations have created the *Voluntary Initiative for Sustainability in Tourism* (VISIT) to inform consumers about the impacts of tourism-related services based on certificates awarded to endeavours which meet certain economic, environmental and social criteria. VISIT aims to promote mutual co-operation and recognition among international, national and regional certification schemes for sustainable tourism, including the tourism quality mark initiatives of Austria, the Netherlands and Switzerland.

60. Information disclosure is also feeding the trend towards consumer carbon offset schemes. For example, the low-cost airline *Flybe* gives passengers information on the fuel consumption, emissions and noise patterns of its airplanes so that customers can assess the environmental effects of their travel. There is now a booming business (estimated at US\$ 100 million per year) in voluntary offsets of greenhouse gas emissions offered to consumers by airlines and other companies. Carbon credit systems for individuals, based on the carbon emitted in their choices of goods and services, are being proposed. The United Kingdom and other countries are reviewing possible norms and standards for carbon offset schemes and declarations. Some have advocated that governments introduce guidelines, codes of conduct or incentives for offset schemes to offer consumers certifiable purchases (WBCSD, 2007).

Box 7. Good Practice Examples: Corporate Reporting

Austria: The government introduced mandatory sustainability reporting for corporate pension schemes in 2005, runs an ethical and ecological investment platform aimed at increasing the market for sustainable investments, and is developing an eco-label for green funds.

www.nachhaltigkeit.at/bibliothek/pdf/publikationen/SCPP05_ENG.pdf

Canada: A *Sustainability Reporting Toolkit* was developed by the government to assist firms in assessing the need to report and creating an effective report in terms of communicating its sustainability practices to consumers. www.sustainabilityreporting.ca/

France: With the *Nouvelles Regulations Economiques* of May 2001, France became the first country to mandate triple bottom line reporting for publicly-listed companies, including labour standards and the environmental consequences of their activities. www.legifrance.gouv.fr/WAspad/UnTexte

Netherlands: The *Milieubarometer* (Environmental Barometer) was introduced in 2003 to grant a quality mark to tourist and leisure companies (camping sites, holiday parks, hotels, restaurants) which meet certain environmental standards verified every year by an independent audit. www.milieubarometer.nl

ADVERTISING

61. Television and radio commercials, billboards, flyers, magazines, and other forms of advertising are aimed at promoting consumption in all its forms. Whereas at one time its sole function was to make people buy more, advertising is now responding to new demands from consumers looking for greater significance, transparency and ethics. Commercial advertising can be a powerful force for promoting sustainable consumption in highlighting the sustainability dimensions of goods and services and convincing consumers to purchase these products, sometimes regardless of price. Regulations governing truth in advertising are a basic consumer protection tool in OECD countries, usually contained in fair trading legislation and policed by consumer protection agencies. These generally cover advertising claims made regarding the environmental, social or ethical attributes of products and services.

62. For example, almost all automobile companies now have advertising campaigns promoting their concern about climate change and the environmental features of their models – Daimler Chrysler (*Fresh Air*), Honda (*Safe and Environmental*), Toyota (*Clean Air*), Volkswagen (*Save Fuel*), Peugeot (*Flower*), Kia (*Think Before you Drive*). Similarly, many petrol companies are projecting a green image and advertising commitments to preserving nature – BP (*Beyond Petroleum*), Shell (*Gardener*), and Total (*Dolphin*). At the same time, ads for consumer goods stress support of human, labour and social rights – Walmart (*Community*), Bristol-Myers (*Diversity and Success*), Unilever (*Hopscotch*), American Apparel (*Sweatshop-free T-shirts*), and IKEA (*Stuffed Animal*).

63. In the Nordic countries, the Ombudsman system for dealing with consumer complaints has developed a common set of guidelines for advertisers and advertising agencies on environmental and social claims in marketing. The Nordic Ombudsmen also provide legal advice to enterprises regarding proper marketing with regard to sustainability issues and can prosecute manufacturers and distributors if their ads are demonstrated to be illegal or misleading. In the Nordic countries, the term “environment-friendly” cannot be used unless a study has been made of the eco-impacts during the entire life-cycle of a product. In certain cases, the environmental and social merits of a product must be judged in relation to all similar articles. In June 2006, the Swedish Parliament passed a bill stating that “Secure consumers who shop sustainably” is to be the overall objective of consumer policy.

64. Other than in the Nordic countries, advertising sustainability guidelines generally pertain to environmental impacts. In the United States, the Federal Trade Commission issued guidelines for environmental marketing claims to comply with the relevant act prohibiting unfair and deceptive advertising. The Australian Competition and Consumer Commission (ACCC) issued environmental advertising guidelines, which have a quasi-judicial status, and the agency can take action if the guidelines are ignored. In 2000, the European Commission issued unofficial “Guidelines for Making and Assessing Environmental Claims,” which set out requirements and specifications for self-declared ecological dimensions.

65. Examples of legal action taken against misleading advertising in the environmental area include suits filed by Belgium against Procter and Gamble, which advertised phosphate-free detergent found to be polluting; by Denmark against gardening products advertised as “environmentally-green” because they had

not been subject to life-cycle analysis; and by Belgium, Finland and Sweden against General Motors to discontinue claims of “for a cleaner environment” in marketing cars.

66. With encouragement from governments, the advertising industry is starting to self-regulate with regard to sustainability claims. The French advertising standards bureau (BVP) has issued recommendations on how the concept of sustainable development should be used in advertisements and that it should not be used indiscriminately to promote products or brands. The International Chamber of Commerce (ICC) has issued an international code of environmental advertising to prevent misleading claims with regard to the ecological aspects of production, packaging, distribution, consumption or disposal of goods and services. The European Brands Association (AIM) is promoting truth in advertising with regard to the environmental, social and ethical aspects of consumer goods.

Box 8. Good Practice Examples: Advertising

France: ADEME together with the United Nations Environment Program (UNEP) has created the on-line *Creative Gallery on Sustainable Communications*, a viewable database of mostly corporate advertisements designed to encourage consumers to purchase environmental and ethical products. <http://www.unep.fr/pc/sustain/advertising/ads.htm>

Nordic countries: In 2005, the Nordic Consumer Ombudsmen (Denmark, Finland, Norway and Sweden) adopted a joint guideline on *Ethical and Environmental Marketing Claims*, which extended the previous rules on environmental advertising to include social and ethical issues such as child labour, working conditions and relations with third world countries. www.kuluttajavirasto.fi/user/loadFile.asp?id=5896

United States: In 2005, advertisements (and related labels) claiming ‘Animal Care Certified’ were cancelled for eggs from more than 180 producers following complaints to the Federal Trade Commission showing that the animals were not in fact treated with care. http://www.upc-online.org/battery_hens/10305egglogo.html

PUBLIC PROCUREMENT

67. In many countries, governments are the largest consumers of goods and services. The average share of public procurement in gross domestic product (GDP) in OECD countries is about 11%, reaching 16% in the countries of the European Union. Governments have enormous power to influence markets towards sustainability through the quantity of their purchases while providing good sustainable consumption examples for their citizens.

68. Most OECD countries have adopted green procurement practices which emphasise the environmental characteristics of products and services, but these vary in extent and coverage. The European Commission has identified seven countries in Europe as 'deep green' in terms of public procurement – Austria, Denmark, Finland, Germany, the Netherlands, Sweden and the United Kingdom (EC, 2004). In theory, green procurement should take into account the effects on the environment that the product or service has over its lifecycle from "cradle to grave," as recommended in the *OECD Council Recommendation on Improving the Environmental Performance of Public Procurement* (OECD, 2007b).

69. The main product categories to which green procurement is now applied are paper products (recycled, chlorine-free), heating appliances, information technology equipment, cleaning products, packaging, furniture, motor vehicles, and energy and waste services. For example, green procurement has resulted in take-up of fuel-efficient vehicles, and energy efficient appliances and lighting in the Australian public sector; refilled toner cartridges and recycled paper in Austria; and solvent-free paints and renewable energy options in Switzerland. The United Kingdom is now attempting to meet recommendations that central government buildings and transport be carbon neutral by 2012.

70. The main barriers to implementing green procurement identified by governments are a lack of training for public procurement officers and inter-governmental coordination as well as information on financial benefits. Procurement decisions which take life-cycle costs into account are still rare, partly due to methodological difficulties. Another problem is the lack of green products and services on the market, which has led some countries (*e.g.* Austria, Korea, New Zealand) to negotiate partnerships with suppliers and develop training programmes and competitions (OECD, 2007b).

71. A few OECD countries are actively committed to sustainable procurement, which takes social considerations into account (*e.g.* fair trade, human rights, labour conditions). Legal frameworks which favour sustainable procurement exist at local, regional or national level in Austria, Belgium, France, Germany, Poland, Switzerland and the United Kingdom. These laws address the social, environmental and ethical aspects of public purchasing. Governments in Austria, Belgium, France and Italy are now procuring fair trade goods as stipulated in guidelines and legislation. Belgium also provides a website for public authorities to help them choose sustainable products and advises them on how to formulate the tender. Similarly, the new public procurement law of Poland promotes ethical and fair public purchasing.

72. Sustainable procurement is also being practiced by international organisations. The multilateral development banks (World Bank, Inter-American Development Bank, Asian Development Bank) along with several UN agencies formed the *Environmentally and Socially Responsible Procurement Working Group* to share experiences on sustainable procurement, identify new sustainable procurement partners,

and develop joint procurement strategies and guidelines. On-line information about the sustainability of specific products and services is also provided by the *International Green Purchasing Network*, which covers products from major manufacturers. At the local government level, *Procura+*, Cities as Responsible Purchasers in Europe (*CARPE*), and Local Environmental Management Systems and Procurement (*LEAP*) promote sustainable procurement practices – social as well as environmental – in cities and localities.

73. The Marrakech Task Force on Sustainable Public Procurement, led by Switzerland, has developed a practical toolkit to provide different stakeholders in the procurement process information and capacity-building activities on making sustainable purchases. An online self-assessment questionnaire highlights the key stages of sustainable procurement and steps to be taken by countries to start or improve their existing approach, now being tested on pilot countries. To be completed in 2008, the toolkit will also outline procurement approaches based on proven solutions and initiatives in other countries.

Box 9. Good Practice Examples: Public Procurement

Belgium: Belgium is considered a leader in the area of fair trade products (respecting labour and human rights) in developing a legal definition of fair trade, including it in public procurement mandates, and providing guidelines for public authorities at federal, regional and local levels.

<http://www.european-fair-trade-association.org/FairProcura/outcome.php>

Ireland: The Department of Finance focused on sustainability as part of its *All Island Public Procurement Conference* in May 2007 with speakers stressing the importance of working towards the Millennium Development Goals (on education, health, gender) as part of public procurement strategies.

<http://www.allislandppc.com/asp/default.asp?p=1>

Switzerland: Since 2002, sustainable procurement has been practiced in Switzerland, which leads the *Marrakech Task Force on Sustainable Public Procurement*, to shift public purchasing towards goods and services that meet high environmental, social and economic standards throughout their life-cycle.

www.un.org/esa/sustdev/sdissues/consumption/kopenhagen1.pdf

United Kingdom: The Sustainable Procurement Task Force, including government, business, NGOs and trade unions, developed a national action plan (*Securing the Future*) which recommends coherent guidelines for sustainable procurement, minimum standards for agencies, and budgetary mechanisms such as whole-life costing.

www.sustainable-development.gov.uk/publications/procurement-action-plan/documents/full-document.pdf

UNDERSTANDING CONSUMER BEHAVIOUR

74. Promoting sustainable consumption requires improved understanding of consumer behaviour and attitudes. Policy tools and instruments may need to be targeted to different types of households, individuals and also groups (*e.g.* in promoting car pools or building and neighbourhood projects). Different variables should be taken into account, including income, age, biases, attitudes and gender. To this end, the OECD Environment Policy Committee (EPOC) is conducting a multi-country survey on household behaviour and five environmental policy areas: waste generation and recycling, energy use, personal transport choices, food consumption, and water use (OECD, 2007e).

75. Consumers have different needs with respect to information, and their potential to be influenced by instruments and tools varies. Most consumers have a positive but passive view of sustainable consumption. There is evidence that relatively few consumers actively seek information or purchasing advice. This passivity on the part of the majority of consumers has prompted more interventions by governments. In fact, many people see government and industry as the key players in making sustainable consumption easier for consumers, largely because government and industry have far more power to promote sustainable consumption than individuals.

76. Consumers are unlikely to object to choice limitations to meet environmental and social objectives, providing the performance, quality and price of products remain right (UKSCR, 2006a). If the marketing mix and price are within the expected norms of the relevant market, then attributes like sustainability will become attractive to the consumer. For sustainable products such as organic food, dolphin-friendly tuna and *Fairtrade* coffee which often have a price premium, the price differential still has to be within the norm. Performance and quality are equally important. For example, there has not been a large market for energy-efficient lighting, because consumers perceive these as poorer in design and performance than cheaper tungsten bulbs.

77. Consumer surveys have tried to isolate the factors influencing purchasing behaviour, such as price, quality, and sustainability. These find that, for example, in the United Kingdom, only 5% of the public places ethical considerations above all others in purchasing decisions, and 70% of food shoppers base their decisions on price, taste and sell-by-date rather than ethics. German consumers rank quality first, then price, followed by look and design, brand, and environmental-friendliness. In the United States, consumers preferred wood with the certification label of the Forest Stewardship Council (FSC) as long as it was the same price as unlabelled plywood (OECD, 2007a).

78. One of the most important factors influencing sustainable consumption is income, with wealthier households far more likely to purchase sustainable products. People with low income may lack the resources to invest sustainably, although they are no less willing in principle to take responsibility for their actions than better-off consumers. Wealthier households also engage in higher levels of consumption; as people get richer, they increase their stocks of electrical appliances, food purchases, number of cars, frequency of vacations, and generation of waste. Sustainable consumption initiatives may be more useful if directed to these high-end consumers. So that low-income households do not bear a disproportionate share of the cost of sustainable consumption policies and can also engage in sustainable purchasing,

distributional impacts can be addressed through other policy instruments such as subsidies and tax rebates (OECD, 2006c).

79. Behavioural biases are an important variable influencing consumption as people may not behave “rationally” when making purchasing and lifestyle decisions. Biases can stem from habits and customs, susceptibility to advertising and product promotions, brand loyalties, risk aversions, and peer pressures, among other factors. Successful sustainable consumption approaches try to make biases work towards sustainable choices (OECD, 2006b). Governments can use a segmentation approach to capture what motivates consumers and target interventions using communications campaigns as part of the overall package.

80. For example, some consumers may have biases against items manufactured from recycled materials because of concerns about reliability and performance. The word “waste” has a negative connotation and may lead consumers to associate terms such as wastepaper or waste oils with risky or inferior products. There may be fears that recycled paper will jam printers and photocopiers, or that re-refined oils will damage their vehicle engines, even when equivalent in quality and lower in price. Although retreaded tires are up to 50% less expensive than new tires, the price difference often does not overcome fears of a blow-out, however small the risk. Here, communications campaigns on the quality of recycled products coupled with performance-based product standards could overcome risk aversions (OECD, 2006d).

81. Consumption is also a way of expressing status and identity, causing consumers to be very conscious of how their purchases look to others. Consumers may be ‘locked in’ to unsustainable patterns of consumption by social norms or peer pressures which dictate more and higher-priced goods. However, many consumers in OECD countries are becoming environmentally and socially conscious and want to demonstrate this to their peers. Labelling, branding and design can aid consumers in making personal messages about the sustainability of their purchases. For example, sales of the hybrid Toyota Prius have outpaced all other hybrid models in the United States, largely because they are sold only as hybrids (rather than hybrid versions of a brand). US surveys indicate that Prius buyers want others to know that they are driving a hybrid, because its fuel economy shows that they are concerned about foreign oil dependence and global warming.

82. Consumption patterns and interest in sustainable consumption differ by age groups. For example, young people between the ages of 18 and 25 tend to be very conscious of the need to reduce environmental pollution, improve human health and increase respect for human rights on a global scale. They believe their generation is consuming too much and want more information on how to reduce the negative ecological and social impacts of their consumption, on which they would likely act (UNEP/UNESCO, 2001).

83. Gender has a huge influence on sustainable consumption, partly due to the differing consumption patterns of men and women. In some OECD countries, women make over 80% of consumption decisions, although men may spend more than 80% of household funds. This is because women buy the cheaper basic essentials such as food, clothing and household articles, while men tend to buy expensive capital goods such as homes, cars and electronics. Women spend more than men on consumer goods, including hygiene, health and clothing. Men are more likely to eat out than women, consume more alcohol and tobacco, and spend more on transport and sport (SEAC, 2007).

84. Surveys show that women are more likely to be sustainable consumers, *e.g.* they tend to buy eco-labelled or organic food, have a higher propensity to recycle and place more value on efficient energy than men (OECD, 2007e). They also pay closer attention in their purchases to ethical issues such as child labour and fair trade. In Sweden, statistics indicate that the group that focuses the most attention on eco-labeling

and sustainable purchasing includes some of the poorest members of society: single mothers (SEAC, 2007). A UK study found that women are more concerned about climate change than men and advocate changes in life-styles and consumption behaviour, whereas men favoured more technological solutions (WEN, 2007).

85. In designing effective sustainable consumption policies, general consumer behaviour (awareness, rationality) as well as attitudinal variables – according to socio-economic group, gender, age -- should be taken into account. For some consumers, income level and status concerns indicate that initiatives could build on their desire to make green statements or send social messages. Female sensibilities may count in purchasing certain household goods, while male orientations could be the target in guiding larger purchases such as cars and electronics. Different approaches will appeal to older *vs.* younger consumers. For example, some propose targeting consumers in marketing terms, *i.e.* green *vs.* disinterested, young *vs.* householders, currently constrained *vs.* long-term restricted, which would then influence policy design and the choice of instruments (UKSCR, 2006a).

Box 10. Good Practice Examples: Understanding Consumer Behaviour

Australia: The report *More with Less: Initiatives to Prompt Sustainable Consumption* presents a three-stage framework for policy initiatives based on consumer behaviour in terms of attitude (communications), intent (labelling) and action (incentives). www.environment.gov.au/about/publications/economics/more/index.html

Sweden: Sweden, which leads the Marrakech Task Force on Sustainable Lifestyles, has pioneered research on the effects of gender on sustainable consumption, showing that women tend to leave a smaller ecological footprint than men. www.sweden.gov.se/sb/d/574/a/67273

United Kingdom: The *Behaviour Change Forum* was established across government departments to promote better policy making through understanding human behaviour including a review of evidence on “Motivating Sustainable Consumption.” [/www.sustainable-development.gov.uk/government/task-forces/behaviour-change.htm](http://www.sustainable-development.gov.uk/government/task-forces/behaviour-change.htm)

COMBINING POLICY INSTRUMENTS

86. Given the difficulties in promoting sustainable consumption, a combination of tools and instruments is generally more effective. Governments should consider which instruments or combinations of instruments are likely to achieve the desired consumption changes for particular products and services as well as groups of consumers. In general, “soft” approaches such as labelling and communications campaigns may be ineffective without “hard” approaches such as regulations, taxes and subsidies. In promoting sustainable consumption, governments need to devise policy mixes which complement each other and are targeted to particular goods and services (OECD, 2007c). This is discussed below in terms of promoting sustainable consumption in the areas of energy, waste, water, transport, food and tourism.

87. Although energy costs are a major household expense, energy efficiency labels have not been that effective in promoting more sustainable purchases. In many countries, providing information failed to get more than a minority of people to buy energy-efficient dishwashers, refrigerators and washing machines, even when labels highlighted savings on operating costs. However, reinforcing the label with an energy tax, as done in Germany and other countries through residential electricity charges, can promote energy-saving behaviour. Households facing higher energy costs tend to purchase energy-efficient appliances and also change heating and cooling systems and invest in insulation or more energy-efficient housing (OECD, 2007e).

88. Reinforcing labels with minimum energy efficiency standards is also effective. In the United Kingdom, labelling of energy efficiency on an A-G scale was accompanied by minimum energy performance standards for household appliances such as refrigerators and water heaters. Driven by consumers, manufacturers moved towards more eco-designs and efficiency gains. The less efficient machines, although often cheaper, were gradually taken off the market and price differentials were reduced. This experience showed that governments must work closely with business and other stakeholders in devising practical “roadmaps” for phasing out unsustainable products (UKSCR, 2006b). Many countries are now considering taxes and standards to accompany labels for light bulbs to close the price gap between traditional tungsten and more energy efficient models.

89. Different approaches have been adopted in OECD countries for reducing household waste, mainly waste disposal charges combined with recycling schemes. Waste collection charges are an effective approach to reducing the quantity of waste and increasing recycling. Rather than flat fees, these charges should vary with the amount of waste and be combined with a recycling programme or deposit-refund scheme (OECD, 2007e). Programmes such as the *Green Dot* packaging ordinance in Germany combine waste disposal charges with extensive recycling incentives and facilities. Korea operates a volume-based waste fee system linked to purchasing waste bags and accompanied by recycling, which has resulted in a 14% reduction in municipal waste and a 50% increase in recycling in the last ten years. In some locales, France combines waste disposal charges with distribution to households of free compost bins.

90. Decreasing water wastage may also call for more than one approach. Given widespread water scarcities, most countries now charge for water supplied to households and add additional levies for consumption over given thresholds as well as special restrictions. Denmark, Hungary and the Netherlands

have successfully combined public information campaigns with increases in household water prices to decrease water wastage.

91. Personal transport decisions are strongly influenced by cost, which makes financial penalties and incentives the instruments of choice. As consumers buy more and bigger cars, countries are adopting a mix of measures to encourage sustainable transport choices. Taxes and charges, including petrol taxes, differential vehicle taxes and congestion charges, can be effective particularly when combined with investments in public transport (OECD, 2007c). Norway and Denmark are adding charges to car prices based on the level of vehicle CO₂ emissions and at the same time giving tax deductions to cars running on alternative fuels. Canada introduced a new transport package consisting of discounts on fuel-efficient vehicles, green levies on ‘gas-guzzling’ vehicles, increased budgets for vehicle disposal programmes, and incentives to remove older vehicles from roads. These tools may also be combined with congestion charges to influence personal transport choices and manage traffic in urban areas, as in London and Stockholm and soon New York.

92. The characteristics of shifts to sustainability in the food sector differ from the key drivers for other goods and services. Concern for animal welfare is behind the trend to dolphin-friendly tuna and free range eggs, while concern for human welfare as well as environment has prompted purchases of *Fairtrade* and *Rainforest* goods. Low-cost certification methods and labelling schemes that appeal to health and welfare are promoting more sustainable choices in these areas. However, some governments reinforce these instruments by providing financial support and mounting communications campaigns for *Fairtrade* and other labelling promotions.

93. Promoting healthy diets may also require a combination of standards, labelling and communications campaigns. Concern for personal health has led to demands for labelling on the nutrition and fat content of food, and some countries are experimenting with simplified “traffic lights” nutrient labelling, which indicates fat, sugar and salt content. However, where significant price differences remain, labelling is generally not sufficient (as in the case of many organic products) and standards may be needed.

94. Promoting sustainable leisure and vacation choices may also depend on more than one policy tool owing to good consumer intentions combined with labelling confusion and lack of awareness. The Marrakech Task Force on Sustainable Tourism, led by France, is examining a package of measures including communications campaigns and labelling, certification and verification of sustainable destinations and tours, fines for unsustainable activities, and subsidies for sustainable energy, wastewater and waste treatment as well as recyclable buildings in tourism locales.

Box 11. Good Practice Examples: Combining Policy Instruments

European Union: *ChangeLAB: Learning for Sustainable Living* is an online database of successful approaches in promoting sustainable consumption which cross-references techniques (regulations, taxes, incentives, information) with other factors (predisposing factors, enabling factors, reinforcing factors). www.changelabproject.org

Sweden: In order to promote sustainable transportation, Sweden has introduced a mix of a carbon-differentiated vehicle tax, an environmental tax on air travel, tax exemptions for diesel cars with particle filters and alternative fuel engines, as well as a congestion charge in Stockholm. www.sweden.gov.se/sb/d/574/a/65711;jsessionid=a7dYp2DkPWH

United Kingdom: Through a combination of labelling and standards called “*choice editing*,” the United Kingdom, Chair of the Marrakech Task Force on Sustainable Products, effected the removal from the market of all water heaters other than more energy-efficient condensing boilers. <http://www.sd-commission.org.uk/pages/consumption.html>

INSTITUTIONALISING SUSTAINABLE CONSUMPTION

Legal frameworks

95. Consumer policy has traditionally concentrated on the economic interests of consumers: price, quality, choice and redress. Consumer protection legislation is directed to combating market irregularities and empowering consumers to make choices and take legal action. It also protects the health and safety of consumers (*e.g.* from food additives, leaded paint) and ensures access to goods and services. However, countries generally do not have specific legal provisions relating to broad notions of “sustainable” consumption. There are now calls for consumer policy to extend beyond economics, health and safety to help reshape markets by including signals for more sustainable lifestyles in the environmental and social sense.

96. In 1999, the UN General Assembly revised the *United Nations Guidelines on Consumer Protection* to include sustainable consumption in the Objectives and General Principles as well as in a specific new section. The UN Guidelines now encompass conducting sustainable consumption research, promoting recycling and sustainable government practices, encouraging life cycle thinking and eco-products, and developing standards for regulating and verifying environmental claims. The new section on “Promotion of Sustainable Consumption” (Section G) encourages governments “*to create or strengthen effective regulatory mechanisms for the protection of consumers, including aspects of sustainable consumption*”.

97. However, most OECD countries have not incorporated the UN language in their consumer protection laws and guidelines (UNEP/CI, 2006). Most have legislation on unfair or deceptive commercial practices, which can cover false marketing claims related to the environmental and ethical characteristics of products. A few countries have legal frameworks for their national sustainable development strategies (Korea) which apply to sustainable consumption. Others have legal provisions relating to the right to environmental information (France, Norway and Switzerland). Japan enacted the *Fundamental Law for Establishing a Sound Material-Cycle Society*, which underpins its sustainable consumption and recycling initiatives.

Sustainable consumption programmes

98. While OECD countries have a wide range of instruments aimed at promoting sustainable consumption for different groups, products and sectors, very few have combined these into a cohesive plan. Countries that have overall strategies for sustainable consumption and production are Austria, Czech Republic, Finland, France, Korea, Norway, Poland, Sweden and the United Kingdom. Hungary, Germany and Greece are in the process of developing national sustainable consumption and production strategies.

99. Sweden and the United Kingdom are the only OECD countries with dedicated sustainable consumption programmes or action plans. Although its implementation is currently on hold, the Swedish programme on sustainable consumption (*Think Twice! An Action Plan for Sustainable Household Consumption*) was developed in 2006 by the Swedish Consumer Agency (*Konsumentverket*) and contains specific proposals in the areas of food, energy-efficient households and travel. The UK sustainable

consumption action plan, which has recently been finalised, targets behaviour groups and purchasing patterns with a mix of policy interventions in the areas of energy efficiency, waste and recycling, water usage, personal transport and food. Ten “road maps” for promoting sustainable consumption in specific product categories are also being developed.

100. The value of integrated sustainable consumption programmes is in promoting coherence and realising synergies across a range of policies: consumer, education, economic, social, environmental, etc. In the absence of an integrated strategy, disconnected initiatives not only lack cohesion but also the full force of a range of government ministries and their policy tools. Without coherent approaches to sustainable consumption in terms of sectors (food, energy), actors (households, women, youth) and instruments (regulations, taxes, communications), initiatives may have inconsistencies or significant gaps and be generally ineffective.

101. Consultation with all relevant stakeholder groups, particularly consumers and business, also needs to be ensured. In 2004, the United Kingdom established the Sustainable Consumption Roundtable, a joint effort of the National Consumer Council and the Sustainable Development Commission, to develop proposals. The Finnish *Getting More from Less* programme was formulated by a multi-stakeholder advisory group, the Committee on Sustainable Consumption and Production (KULTU), co-chaired by the Environment and Trade Ministries and including some 86 stakeholder representatives. The Czech Republic *Framework of Programmes on Sustainable Consumption and Production* was prepared by a similar working group chaired by the Minister of Environment. The National Council for Sustainable Development in France, a civil society body and watchdog, proposes sustainable consumption issues and actions. In Germany, the Federal Environment Ministry (BMU) started a national process on sustainable consumption and production in 2004 which involves all relevant stakeholders.

102. In this context, consumer policy agencies are particularly important. Understanding the social and economic aspects of consumer behaviour is central to designing effective approaches. Consumer agencies have direct links to market behaviour in dealing with regulations, standardisation and codes of conduct as well as maintaining basic access to goods and services (OECD, 2007d). A national body responsible for the implementation and co-ordination of sustainable consumption initiatives may be warranted (OECD, 2002b). UNEP is currently developing *Guidelines for National Sustainable Consumption and Production Programmes* which address many of these institutional issues.

National sustainable development strategies (NSDS)

103. Sustainable consumption programmes can adopt the institutional infrastructure of national sustainable development strategies (NSDS), for which good practices include integrated decision-making, stakeholder involvement, links to localities, and indicators and monitoring (OECD, 2006a). A few countries have included sustainable consumption and production as an NSDS priority (Czech Republic, France, Korea, United Kingdom). Others include issues relating to sustainable consumption across various parts of their strategies (Austria, Belgium, Finland, Norway, Sweden). Some national strategies address consumption-related issues in sector policies related to transport, energy, climate change, waste, or integrated product policies (Denmark, Switzerland).

104. In June 2006, the EU Council of Ministers voted to include sustainable consumption and production as a priority in the *European Union Sustainable Development Strategy*. Research and development of a sustainable consumption and production action plan is now in progress. Most European countries will likely incorporate sustainable consumption more directly when their national sustainable development strategies are reviewed, as is now the case in Ireland and Belgium.

105. Links to national strategies help sustainable consumption actions achieve co-ordination and synergies across governments as well as obtain more high-level political commitment. Responsibility for sustainable consumption-related activities in most OECD countries resides with Ministries of Environment, although consumer agencies should be directly involved as well as ministries and agencies dealing with education, social issues, energy, transport, agriculture, etc. Interagency processes developed for national sustainable development strategies can be used to promote shared responsibility and policy-making across government agencies on sustainable consumption and allow for integration of a package of initiatives.

106. Monitoring and evaluating sustainable consumption initiatives can also be facilitated through the indicators, targets and monitoring systems of national sustainable development strategies. This contributes to accountability and public transparency in programme implementation. Most OECD countries have consumption indicators included in their sustainable development indicator sets. These most often include: household materials, water and electricity consumption; generation of household waste; energy consumption and CO₂ emissions from personal transport; share of overweight or obese people; extent of green public procurement; and eco-label awards by product group.

Box 12. Good Practice Examples: Institutionalisation

Czech Republic: The Czech Framework of Programmes on Sustainable Consumption and Production is derived from the objectives of the National Sustainable Development Strategy, which stresses the integration of existing policies. http://www.env.cz/AIS/web-en.nsf/pages/sustainable_development_on_national_level

Finland: The national programme to promote sustainable consumption and production, *Getting More from Less*, was the first such initiative in the OECD, prompted by the recommendations of the World Summit on Sustainable Development in 2002. <http://www.ymparisto.fi/default.asp?contentid=62075&lan=en>.

Korea: The new National Sustainable Development Strategy, which features a section on sustainable consumption and production calling for high cross-sectoral integration, was developed by the Presidential Commission on Sustainable Development which includes business and NGOs who are designated as Chairs of the Commission for fixed periods. <http://pcsd.go.kr/eng/index.html>

Norway: Norway is revising its Action Plan for Sustainable Development following a peer review by Sweden to, among other things, strengthen sustainable consumption provisions and link them to the budget and indicator-based monitoring. <http://www.regjeringen.no/upload/kilde/ud/bro/2003/0013/ddd/pdfv/171847-nsbu.pdf>

Sweden: *Think Twice!* is a fully integrated sustainable consumption programme with a four-year action plan focused on household consumption to teach consumers how to eat, live and travel sustainably. <http://www.sweden.gov.se/sb/d/574/a/65711;jsessionid=a7dYp2DkPWH>

United Kingdom: The Sustainable Consumption Roundtable (2004–06) was a joint endeavour of the National Consumer Council and the Sustainable Development Commission mandated with developing recommendations for action on sustainable consumption for the government. <http://www.sd-commission.org.uk/pages/consumption.html>

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