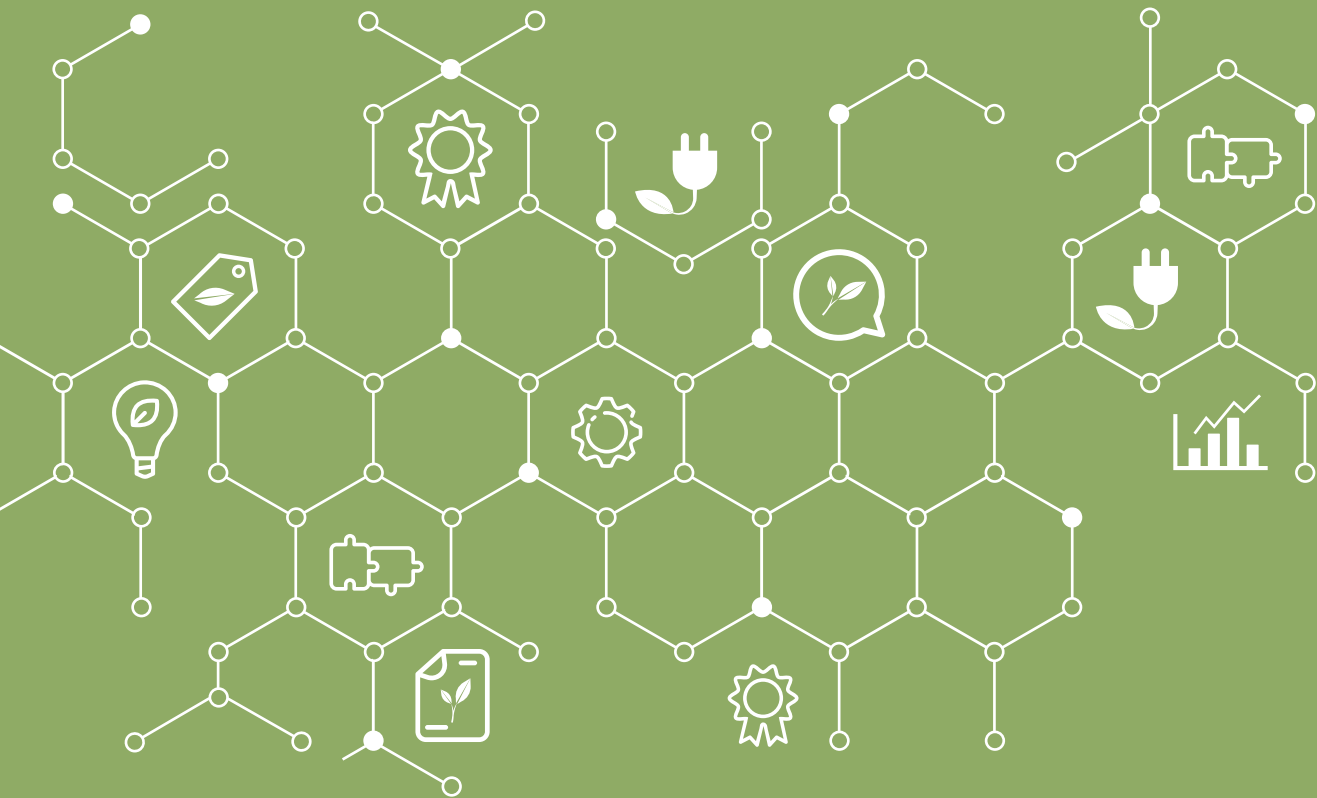


The consumer experience of green claims in Australia

'Carbon neutral...what the heck is that?'



CPRC The Consumer Policy Research Centre (CPRC) is an independent, non-profit, consumer think-tank. CPRC receives funding for our work from the Victorian Government.

CPRC aims to create fairer, safer and more inclusive markets by undertaking research and working with leading regulators, policymakers, businesses, academics and community advocates.

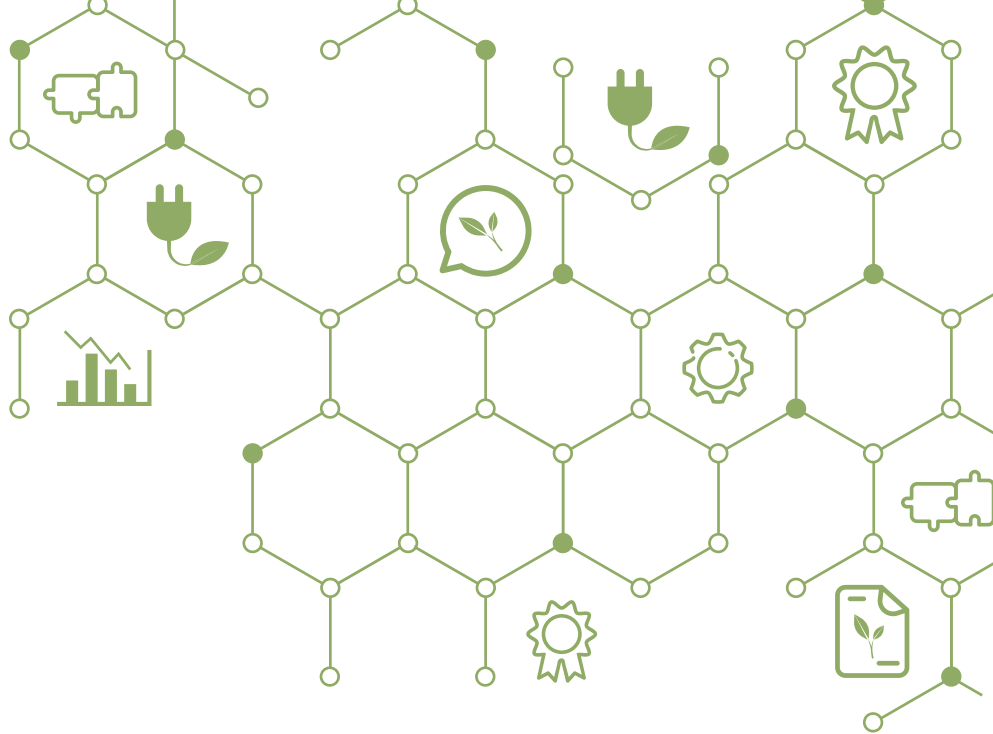
Acknowledgements

Report author: Kristal Burry CPRC would like to thank consumer advocates and experts consulted in producing this report. The views expressed in this report should not be attributed to them. CPRC is responsible for the views in this report, including any errors or omissions.

Statement of Recognition CPRC acknowledges the Traditional Custodians of the lands and waters throughout Australia. We pay our respect to Elders, past, present and emerging, acknowledging their continuing relationship to land and the ongoing living cultures of Aboriginal and Torres Strait Islander Peoples across Australia.

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Green claims matter to consumers — so does truth and accuracy

'Gas, electricity and warm fuzzies'

'Why Aussies choose us—go carbon neutral'

'Sustainably sourced cotton to help safeguard your family, care for and protect the environment'

Online and off, consumers are bombarded with claims about green and sustainable features. Marketers and businesses are trying to tap into a growing desire of many Australians to actively look after people and planet when choosing consumer goods. Yet the nature of these claims means that consumers can't verify them—they are left hoping that businesses are doing the right thing and following through on their sustainable promises.

In 2021 CPRC undertook qualitative research to better understand what it's like to be a consumer in Australia. Many people we spoke to were sceptical about sustainability claims, expressing a belief that they are marketing tools rather than genuine commitments to improved environmental outcomes.



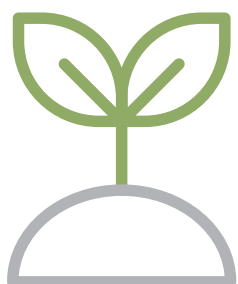
Companies are just using sustainability as a marketing tool these days. You have to really look into each company to see how legitimate their claims are. It's very difficult to ascertain if it's a correct statement or not.¹

CPRC focus group participant, over 50, QLD

This report takes a closer look at how consumers are currently experiencing and using green claims. We look at:

- the kind of green claims currently used in Australia
- how often consumers see green claims
- what sectors they see them in, and
- consumer views on how those green claims influence their purchasing decisions.

We also explore what factors influence whether a consumer trusts a green claim, if consumers attempt to fact-check green claims, and what would happen if they found out a business was engaging in greenwashing.



There is a significant risk that some businesses are using green claims to engage in 'greenwashing'. Greenwashing can occur when a business lies about its green credentials—for example saying a product is compostable when it is not—when businesses use unclear, vague and overarching claims about environmental benefit, or put too much emphasis on very specific environmental benefits. Greenwashing can also occur when a business uses green claims as symbolic messages to deflect consumers' attention away from their other activities.²

Greenwashing has the potential to cause consumer harms ranging from consumers spending more money—or money they wouldn't normally—on the premise that a product or service is sustainable. Businesses that misuse green claims risk reducing consumer trust in sustainable claims more broadly. Further, greenwashing can harm businesses doing the right thing, by reducing market competition and stifling innovation if businesses that are genuinely making efforts to improve their processes are unable to benefit from these and effectively compete.^{3,4}

There are existing laws with strong penalties against misleading and deceptive conduct—businesses are not allowed to lie to customers. Australian regulators have also been clear that greenwashing isn't acceptable. The Australian Competition and Consumer Commission (ACCC) and the Australian Securities and Investment Commission (ASIC) have released clear guidance that businesses using green claims should be truthful, specific, clear and use claims that can be substantiated.⁵

Yet even with proactive regulators and significant penalties, this has not stopped the proliferation of vague and unhelpful green claims. Our report has found that consumers are being bombarded with green claims, allowing some businesses to benefit from an association with sustainable ideas without demonstrating that they're following through on environmental action.

We need a range of approaches to make sure that green claims actually deliver on their promises to consumers. Businesses have a responsibility to do the right thing. No one benefits from a race-to-the-bottom approach on green claims.

Regulators should continue to take a strong enforcement action against misleading claims. But this alone is not enough. We've seen from recent unsuccessful ACCC court cases on flushable wipes and compostable claims that enforcement action against potentially misleading green claims can take a number of years, and success isn't guaranteed. While enforcement actions like legal cases take place, misleading claims remain on the shelves. We need to be able to prevent obviously untrue and unclear claims from entering the market in the first place.

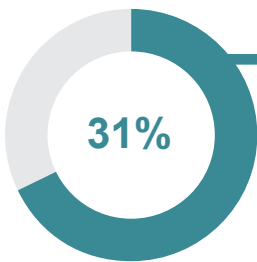
Australia also needs to consider ways to improve the quality of information available to consumers overall. If someone is looking to shop sustainably, are they better off buying shampoo with a bottle that's made from 50% recycled materials, or a plastic free alternative, or from a company that claims to be carbon neutral? Right now, there's no easy way to make this choice. We need better quality, consistent information to help people who want to shop sustainably make meaningful choices.

We have deliberately not included recommendations about what consumers should do. Consumers should be able to trust that green claims are truthful and robust. They should have meaningful options to direct their money towards products and services that genuinely make a difference. The onus is not on consumers to attempt to verify claims or spend hours researching the various claims they encounter. It's up to industry and government to make green claims worthy of consumer attention.

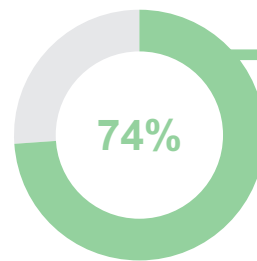
Summary of key findings



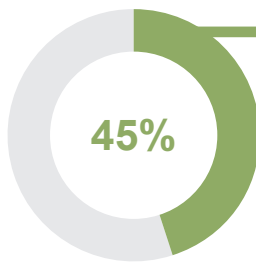
Green claims are everywhere. In 24 hours, our researcher documented 122 green claims across 17 sectors including groceries, personal care products, banking, and superannuation.



Only 39 of 122 green claims had any supporting evidence or verification to provide confidence that the claim was accurate or meaningful.



74% of people recall seeing green claims on product labels.



Consumers are using green claims to make purchasing decisions. 45% of Australians always or often consider sustainability as part of their purchasing decision-making.

Young Australians and people who say they care about sustainability are more likely to recall and rely on green claims.



55% of people who said sustainability was a key part of their decision-making recalled seeing green claims on ads in public space and physical displays, compared to **6%** of the general population



40% of Australians 18-24 years old said they used a trustmark to fact-check a green claim, compared to **29%** of the general population

The top sectors where consumers are making purchases because of green claims:



Household cleaning products (**47%**)

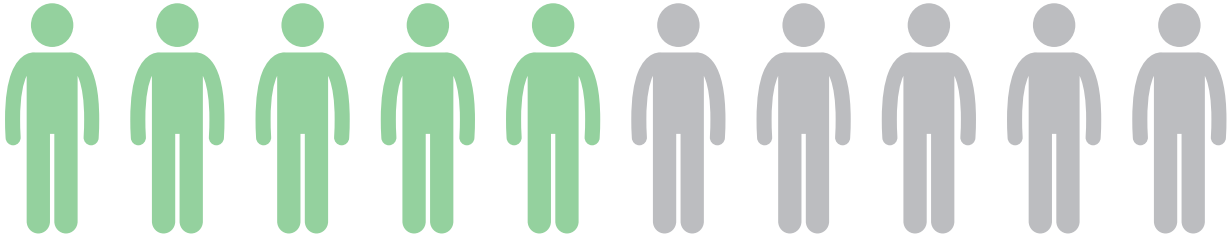


General groceries (**42%**)



Beauty and personal care products (**30%**)

Consumers are worried that many green claims they see aren't true



At least

50% or more said they were worried about green claim truthfulness across every sector.

Consumers are more likely to trust green claims from a local or small business, or claims that are accompanied with a trustmark.



56% of people said they are more likely to trust a green claim made by both small or local businesses and Australian businesses, while only **29%**

said they would trust green claims made by an international business.



69% of people said they were likely to trust a green claim that had a trustmark with it.

Many consumers assume that a trusted third party is fact-checking green claims.



45% of Australians think someone checks green claims before they are used, either government, industry associations or Ad Standards.

Consumers will react strongly if they find out a business has been greenwashing



47% of consumers said they would stop buying from a business if they found it the business had engaged in greenwashing.



35% said they would warn their friends and family not to shop with that business.

METHODOLOGY

Day-in-the-life scan methodology

To gain a better understanding of the types of claims consumers may come across in their daily lives, CPRC undertook a day-in-the-life scan to document the types and locations of claims over a 24-hour period on a typical weekend for the author of this report. The day-in-the-life scan was designed to be conducted both online and offline and serve as a snapshot of green claims.

We focused on the volume and nature of claims a consumer would see in 24 hours and identified if information was available alongside the claim to conduct a fact-check or to demonstrate that a third party had fact-checked the claim. We didn't fact-check the claims made in green claims, instead focusing on what an ordinary person would see and experience. The day-in-the-life scan shows what's in front of consumers right now, not whether claims are accurate or misleading.

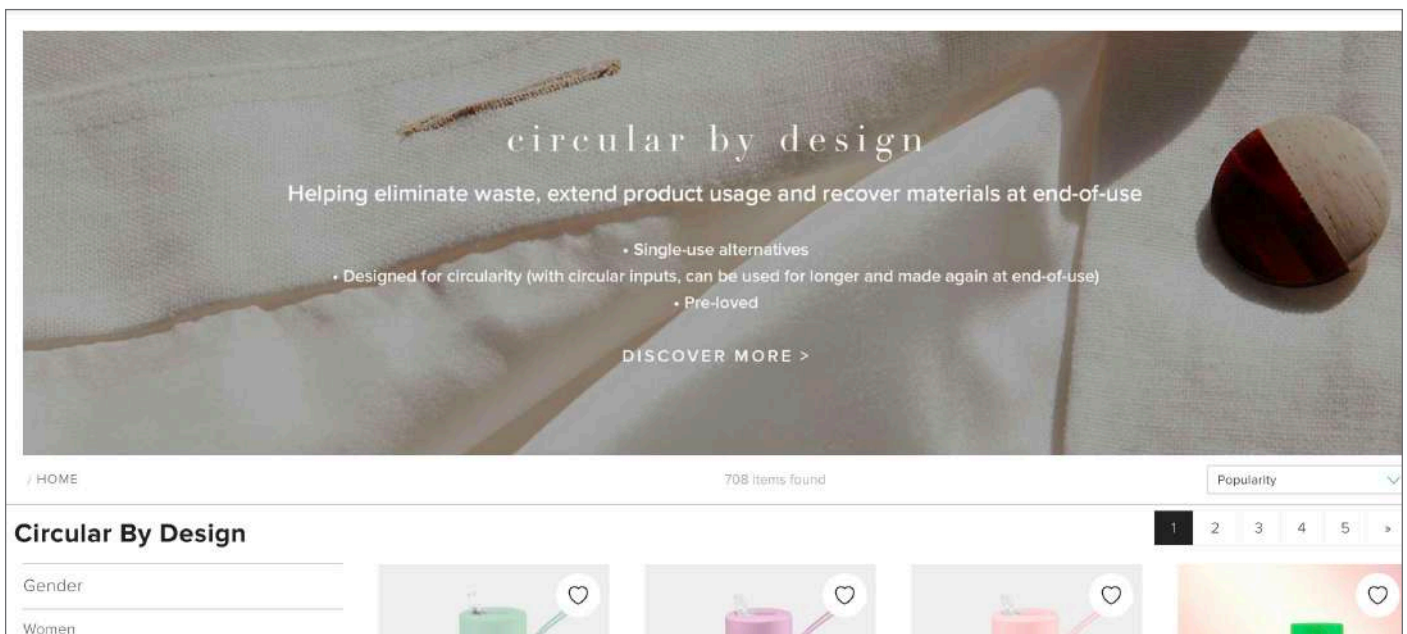
We have used images captured in the day-in-the-life scan as illustrative examples. However, we have only named companies or specified the claims sighted throughout this report where the example is illustrative of what consumers are likely to encounter day-to-day in Australia or as specific examples of unhelpful claims. Unless specified, any of the businesses or claims referenced are not necessarily misleading consumers. We have chosen not to directly name small businesses using green claims in this report.

Survey methodology

Between 28 September 2022 and 4 October 2022 CPRC surveyed Australians about green claims, and barriers and enablers to sustainable consumption. Data collection was conducted by CPRC, using Ipsos' Digital Platform with a nationally representative sample of 2000 people.⁶

This survey tells us what consumers think about green claims: how they feel in the moment, their worries and what they say they do. Further research is required to understand real-world behaviour and the choices made in the moment of purchasing products.

Image below: The Iconic www.iconic.com.au November 2022, encourages consumers to 'shop by their values'

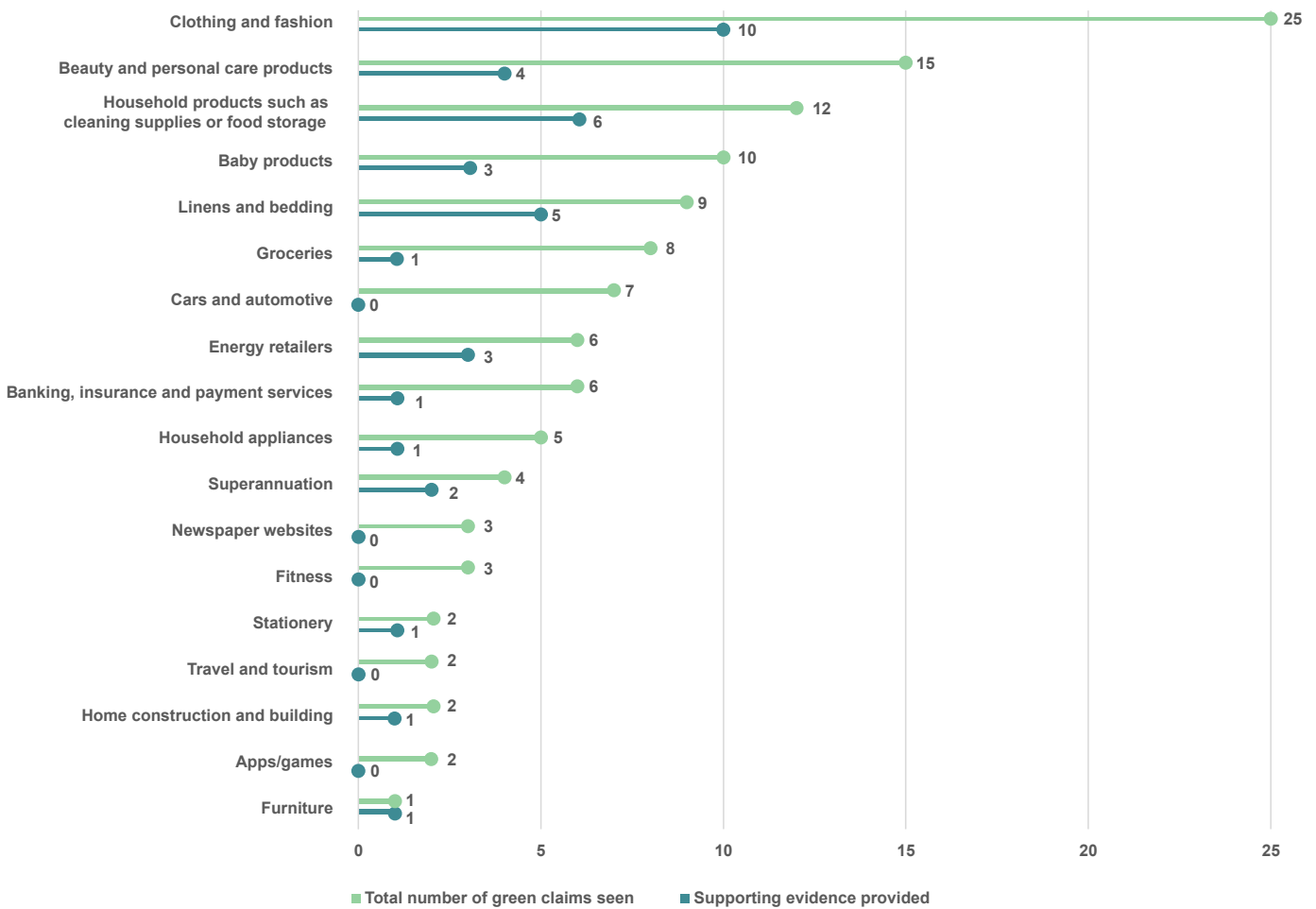


Green claims seen in 24 hours

Over a 24-hour period the author documented 122 instances of green claims across 17 sectors. The sectors with the highest number of green claims were clothing and fashion, household products and beauty and personal care products (see figure 1).

Given the number of claims that we identified in just one day of looking, it's clear that consumers are being bombarded with claims about sustainability.

Figure 1: Green claims across sectors



Of the green claims sighted, only 39 had some form of supporting evidence or additional information either on the product or packaging, the shelves, or the advertisement to help verify the claim. Supporting evidence could include third party certification, the business' own scheme, international standards or a website link for more information. Most claims were credence claims, unsupported by third-party verification. A credence claim is a claim that the 'consumer cannot independently verify the claims for themselves and must trust the seller'.⁷

The vast majority of green claims used vague language and imagery to convey sustainability. These claims are very unlikely to meet the guidelines set out by the ACCC and other regulators. The ACCC guidelines are clear that green claims should be specific, not unqualified and/or general statements. Many of the claims we saw failed to meet this test. For example, "our freezers are greener" and "our low carb wraps are better for you and better for the world we live in" don't meet this benchmark.

The ACCC lists specific broad or unqualified claims that can be problematic:

- Green
- Environmentally friendly
- Environmentally safe
- Energy efficient (when used without context or detail)
- Recyclable (when products are only recyclable in very specific conditions)
- Carbon neutral (without additional information that considers the full life cycle of the product)
- Renewable energy (when no context is provided).

We saw multiple examples of these claims being used. In addition, when asked in our survey about what green claims they saw the most, Australians stated the following, which includes many that the ACCC cautions businesses to be careful in using:

- Sustainable
- Green
- Environmentally friendly
- Eco-friendly
- Recyclable
- Carbon neutral
- Biodegradable
- Organic
- Clean
- Energy efficient.



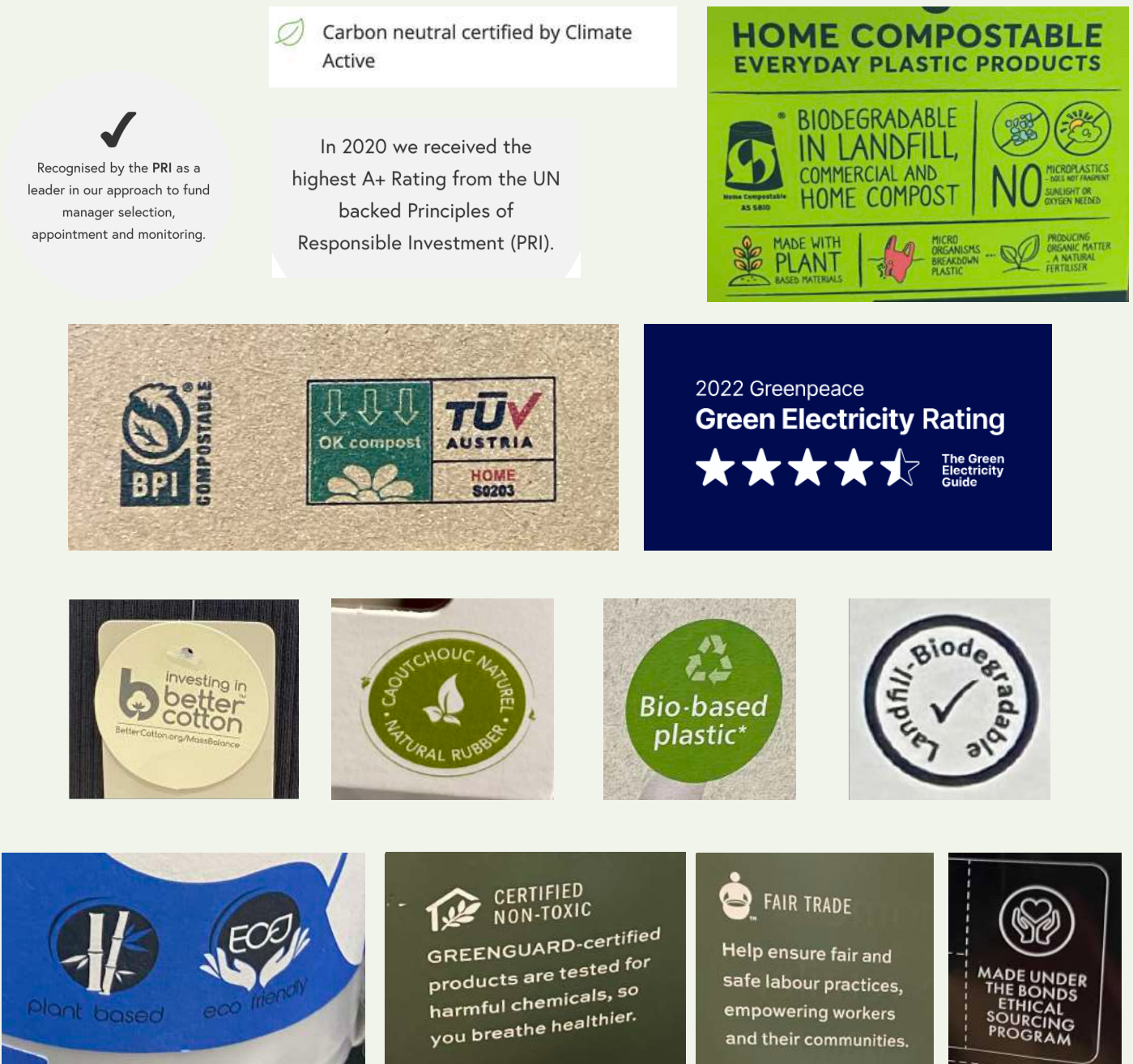
Images (left to right): Philips soda maker with the statement 'GoZero' on the box, SodaStream with the label 'earth friendly' on the box, Two screenshots from Suncorp Bank television ad – Banking you can feel good about campaign

Types of green claims

The specific claims we saw ranged from those about the recyclability or compostability of the packaging of a product through to the environmental impact of the manufacturing process. We also saw claims about the emissions or carbon neutrality of a business. Terms could be as vague as ‘natural’, ‘ethical’, ‘organic’, or ‘sustainable’—or without specific phrases, but featuring images of nature or earthy materials to suggest being environmentally friendly.

At the other end of the spectrum were more specific claims such as ‘Organic cotton. Grown without pesticides making it kinder to our planet and to your skin’; ‘I am a 100% recycled plastic bottle’ or ‘1 mangrove planted for each sold’. Despite being more specific in their claims, some of these are still difficult for a consumer to be able to verify or check without extensive research. There’s no way for a consumer to easily compare their genuine environmental impact. If someone is looking to shop sustainably, are they better off buying shampoo with a bottle that’s made from 50% recycled materials, or a plastic free alternative, or from a company that claims to be carbon neutral? The consumer is left bombarded by specific claims that they cannot easily put side-by-side.

Images below: Examples of supporting information or trustmarks that accompany green claims



We did document where there was certification or additional information provided along with the claim (see figure 1). Most of these were the use of third-party certification schemes, international standards or a website where a consumer could look up more information. However, there are some that do not appear to be official schemes but are designed to look like an official certification or trustmark, in particular the Landfill-Biodegradable 'check-mark' does not appear to be from an established scheme, but the tick mimics the Heart Foundation health tick logo. This has the potential to be misleading to consumers who may assume this is an official certification scheme. The ACCC, as part of their enforcement activities, should review trustmarks and packaging that implies a trustmark, since this is an area where there are likely to be misleading claims.

What's in a green claim?

Despite the variety and volume of green claims consumers are exposed to, there are no consistent or common frameworks or classification of the types of claims used. There are definitions of greenwashing that attempt to categorise the different ways a green claim may be greenwashing. These include:

- Attention deflection—symbolic activities aimed at distracting consumers from their other business activities that may not be sustainable.
- Deceptive manipulation—misleading conduct.
- Selective disclosure—this is where a business only discloses information about their performance.⁸
- Executorial greenwashing—using images of the environment or nature to influence a consumer's perception.⁹

We have built on these and identified some common themes of claims and products they are used alongside.



Sustainable yet disposable—We found examples of claims about the recyclability and lower resource use of certain products that are designed to be thrown away. While any attempt to lower the impact of our consumption is welcome, there is a certain irony of a brand celebrating the sustainability of its disposable products.

Redundant green claims—These claims highlight a factor about the product or service that wasn't called into question and so the claim is just stating the obvious.

Hi-tech solutions—Green claims that emphasise the research, experiments and money that has gone into making a product or service. This could be done to try and convince the consumer that the claim is more genuine or trustworthy or may be done to try and convince the consumer that they don't need to doubt this claim. *'Our most sustainably designed collection is also the research and development (a.k.a dream) lab for the future of Levi's'.*





Oddly specific—Claims that speak to a very specific aspect of a product. Includes statements of a percentage of recycled materials—‘83% recycled polyamide’. These may be designed to leave the consumer questioning, would a company lie about something so specific? These claims have the potential to create a ‘green halo’ for a product, focusing consumer attention on one good aspect of the product rather than the overall environmental impact of the product or business.

Absurd claims—We found a kettle that was ‘designed for a cooler planet’; this claim isn’t even clear what action or impact is intended through the production or consumption of this product.



ALL the claims—This is where a company or business tries to convince a consumer of their intentions through multiple different claims or statements throughout the physical or online shopping experience. These companies want consumers to know they are sustainable by sheer force.



Green claims with a data grab—We documented two examples of where a green claim was used to sign a consumer up to a member program or provide their email address. The prevalence of dark patterns in the sustainable consumption sector is a troubling outcome in terms of exacerbating consumer harms.¹⁰

Brand’s own—This is where a brand has established its own ethical or environmental program to certify its actions. This could provide the illusion of credibility; without the transparency that independent third party verification is meant to provide.



The narrative—Labels tell a story of the materials or process that paints a picture of sustainability that the consumer would want to be a part of, or that brings them into a lifestyle, to embrace the item and its claim—‘Our linen is sourced exclusively from flax plants grown in the coastal regions of western Europe. The flax plants are sustainably cultivated, without irrigation and are free from genetic modifications’.

Where do consumers remember seeing green claims?

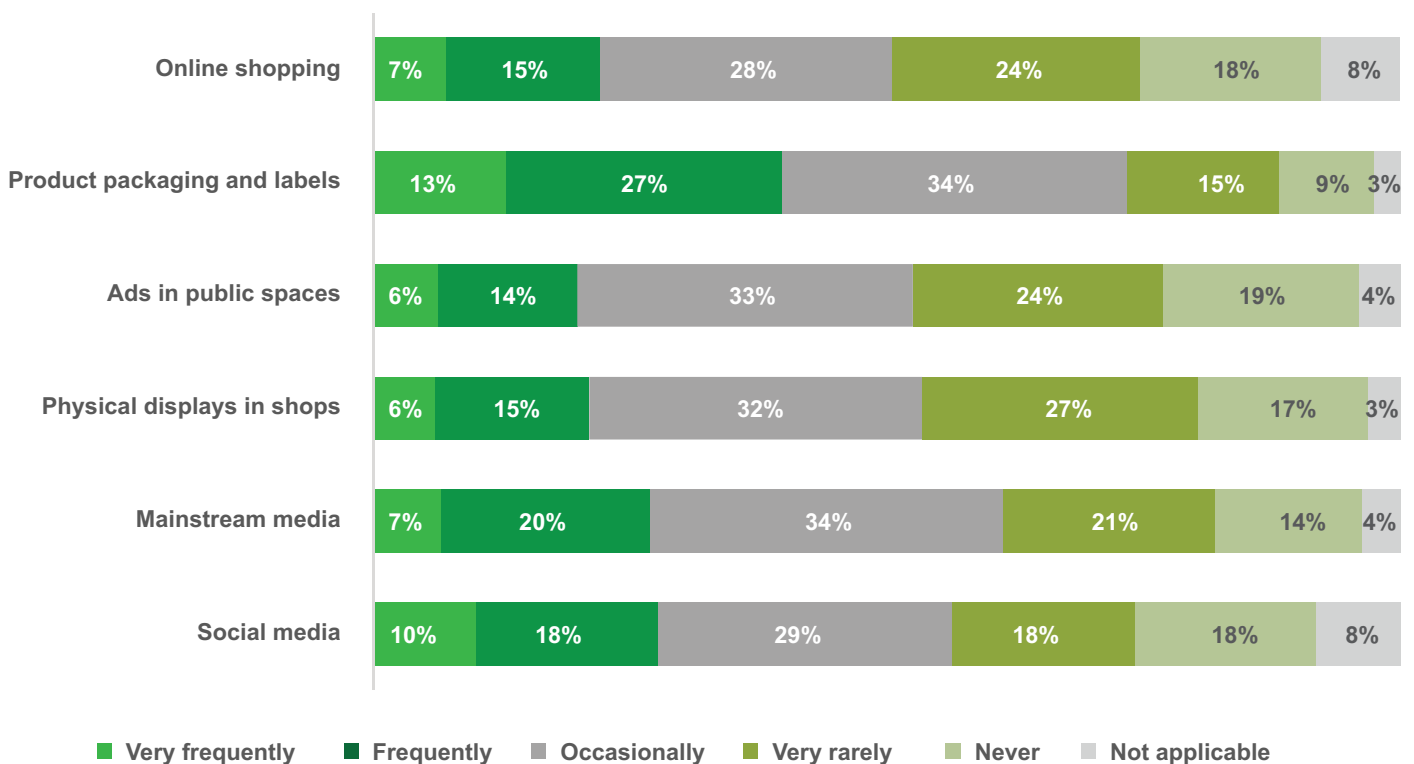
Many of the consumers we surveyed say they prioritise sustainability in their purchasing decisions. We explore who prioritises sustainability and how this may influence where and what green claims they see on page 24.

We asked how often people see green claims across various mediums and sectors. These results show us where consumers notice and recall green claims the most.

Product packaging and labels has the highest level of recall, with 13% of people saying they saw green claims very frequently on packaging, compared with just 6% seeing them on ads in public spaces and physical displays.

When all positive responses are collapsed, 73% of Australians see green claims on packaging, 61% see them in mainstream media, 56% on social media and 54% for physical displays in shops.

Figure 2: Frequency of green claims across different mediums



Green claims are everywhere, and consumers act on them

The top three sectors where consumers recall seeing green claims the most were:

The bottom three sectors where consumers recall seeing green claims were:



Household and cleaning
(77%)



Energy retailers
(76%)



General groceries
(74%)



Utilities (telecommunications and internet) (46%)



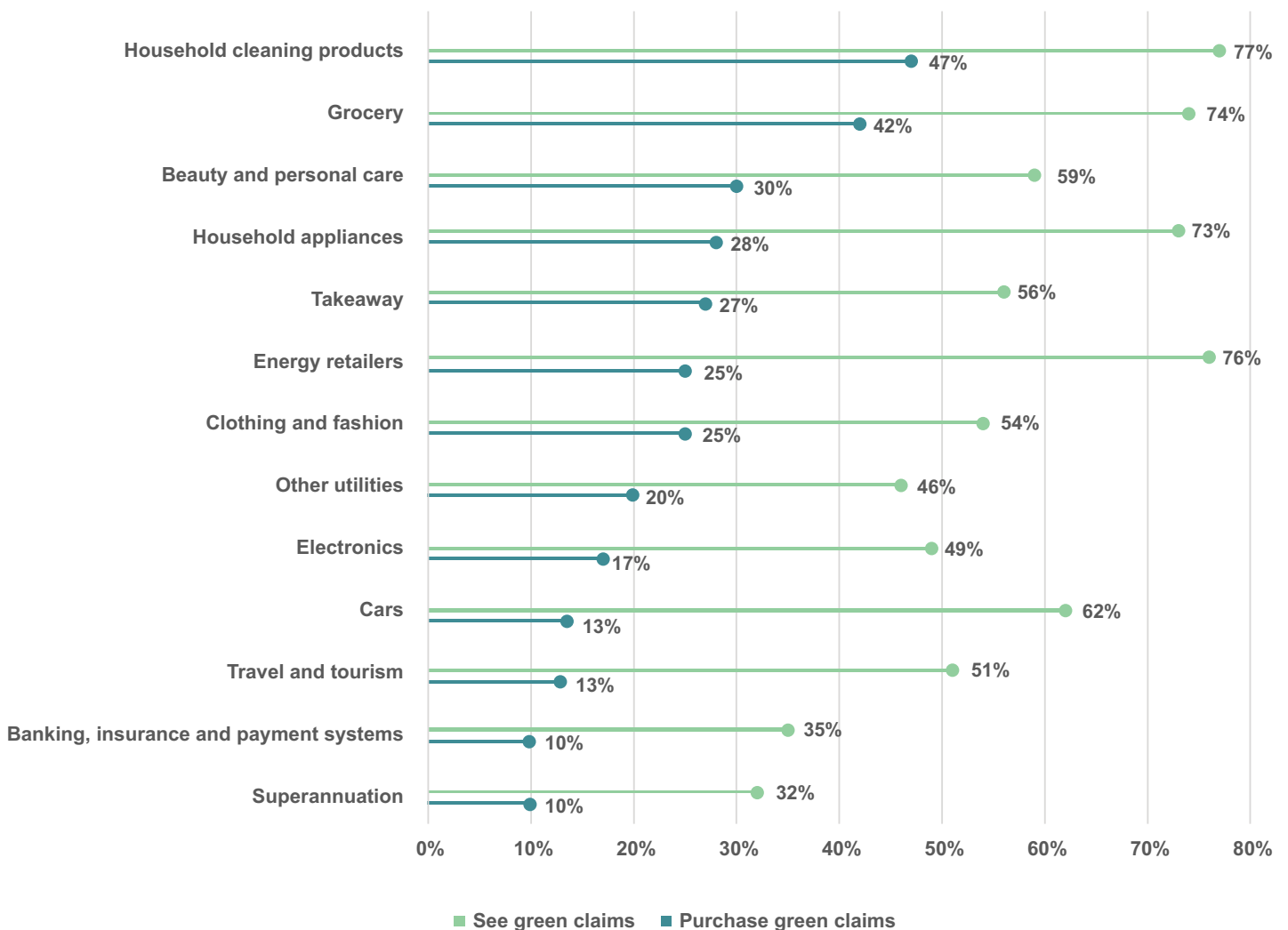
Banking and finance
(35%)



Superannuation
(32%)

Consumers reported seeing banking, insurance and payment systems and superannuation the least often. Only 1 in 3 people said they saw claims in these sectors very frequently or frequently, compared to 2 in 3 saying they saw green claims very frequently or frequently in the household cleaning products sector.

Figure 3: Ranking of how frequently consumers see green claims in different sectors and compared with which sectors consumers purchased products or services due to green claims in the past 12 months



To a large extent, consumers reported making purchases because of the green claims in the last 12 months in a similar pattern of frequency. Notable exceptions were the energy retail sector and cars, which scored lower: 25% of consumers reported choosing an energy plan due to green claims and just 13% said they made a car purchase because of the green claim.

It's not too surprising that people most recall and make purchases because of green claims on products they purchase more frequently, like household cleaning and grocery products. Similarly, low recall and purchases for banking and superannuation sustainability claims likely reflect that few people switch or purchase these products regularly.

When you take account of how frequently a consumer makes decisions and revisits those decisions, most of their time is spent on groceries, toiletries and clothing, with less time spent on banking or financial services.¹¹

What's interesting are the anomalies—people may switch their energy supplier or plan infrequently.¹² Yet, people are more aware of sustainability claims being made in the energy sector, which could reflect the emphasis sustainability has been given in marketing in these sectors for a longer time period than superannuation or banking. In addition, energy has been at the heart of the debate on decarbonisation in Australia, with both sides of politics focusing on energy and renewable energy as a means of achieving change. This may have resulted in consumers having more awareness of green claims in the energy sector.

Likely with cars, seeing more green claims does not translate to more purchases as a result of green claims, as most households purchase a new car every few years or less frequently.

These rankings demonstrate how often consumers are exposed to green claims across a high number of consumer-facing sectors. While this varies across the sectors, our results indicate that a high number of consumers are making purchases because of green claims. These findings also indicate where consumer harm may be more prevalent or more pronounced if businesses are engaging in greenwashing. For some sectors, such as grocery and household cleaning, the harm may come from frequent small purchases of lower dollar value but which add up over time. For superannuation, banking or energy, the harm may be less frequent but have a material impact on consumers given the high value invested or spent in these sectors by consumers.

Consumer response to different types of green claims

We wanted to gain a deeper understanding of which sectors consumers consider to be more important to have sustainable products to purchase. In addition, we wanted to understand if there were sectors where people were more worried about false green claims.

Consumers generally want sustainable options to purchase across all the sectors canvassed. However, there are some distinct differences in responses.

Despite energy retail being a sector where Australians are not largely making purchases because of green claims (25% had made a purchase because of green claim in the past 12 months), 66% of respondents indicated they felt it was either very important or moderately important to have sustainable options when selecting energy retailers. Consumers are most concerned green claims are not true in the energy sector (72% very worried + somewhat worried—see figure 5). This could indicate that consumers are less likely to trust green claims in the energy sector and therefore are less likely to then make a purchase based on a green claim.

We also found a high number of people (71%) who felt it was either very important or moderately important to have sustainable options when purchasing cleaning products, and 71% were worried that green claims were not true in this category. However, 47% said they had purchased a product because of a green claim in this sector.

Image below: Momentum Energy www.momentumenergy.com.au November 2022, providing information about their energy supply

The image is a screenshot of a website page for Momentum Energy. The main heading is "Comparing electricity and gas providers? Here's why we think you'll like us." Below this heading are three columns of content, each with an icon and a short paragraph. The first column features a dam icon and is titled "Renewable friendly", with text stating that their parent company is Australia's largest renewable generator, Hydro Tasmania. The second column features a pair of flip-flops icon and is titled "Aussie as", with text stating they are Aussie-owned and run, with teams based in Melbourne and Tassie. The third column features a trophy icon and is titled "Award-winning", with text stating they have 15 Canstar Blue and Mozo awards. At the bottom of the page, there is a section titled "Manage your account when it suits you." with a sub-heading and a paragraph about using MyAccount. Below this are two buttons: "Login" and "Learn more". To the right of the buttons is an illustration of a laptop with a checkmark icon on the screen and a steaming cup of coffee next to it.

Comparing electricity and gas providers? Here's why we think you'll like us.

Renewable friendly
Our parent company is Australia's largest renewable generator, Hydro Tasmania (so your energy comes with good vibes built in).

Aussie as
Like to back a local? We're Aussie-owned and run, with all our teams based in Melbourne and Tassie.

Award-winning
We've got 15 Canstar Blue and Mozo awards on the shelf, for things like customer satisfaction and environmental excellence.

Manage your account when it suits you.

Use MyAccount to switch plans, set up payments and get support without picking up the phone. Easy as.

[Login](#) [Learn more](#)

Figure 4: Consumer expectations about having sustainable products to purchase across sectors

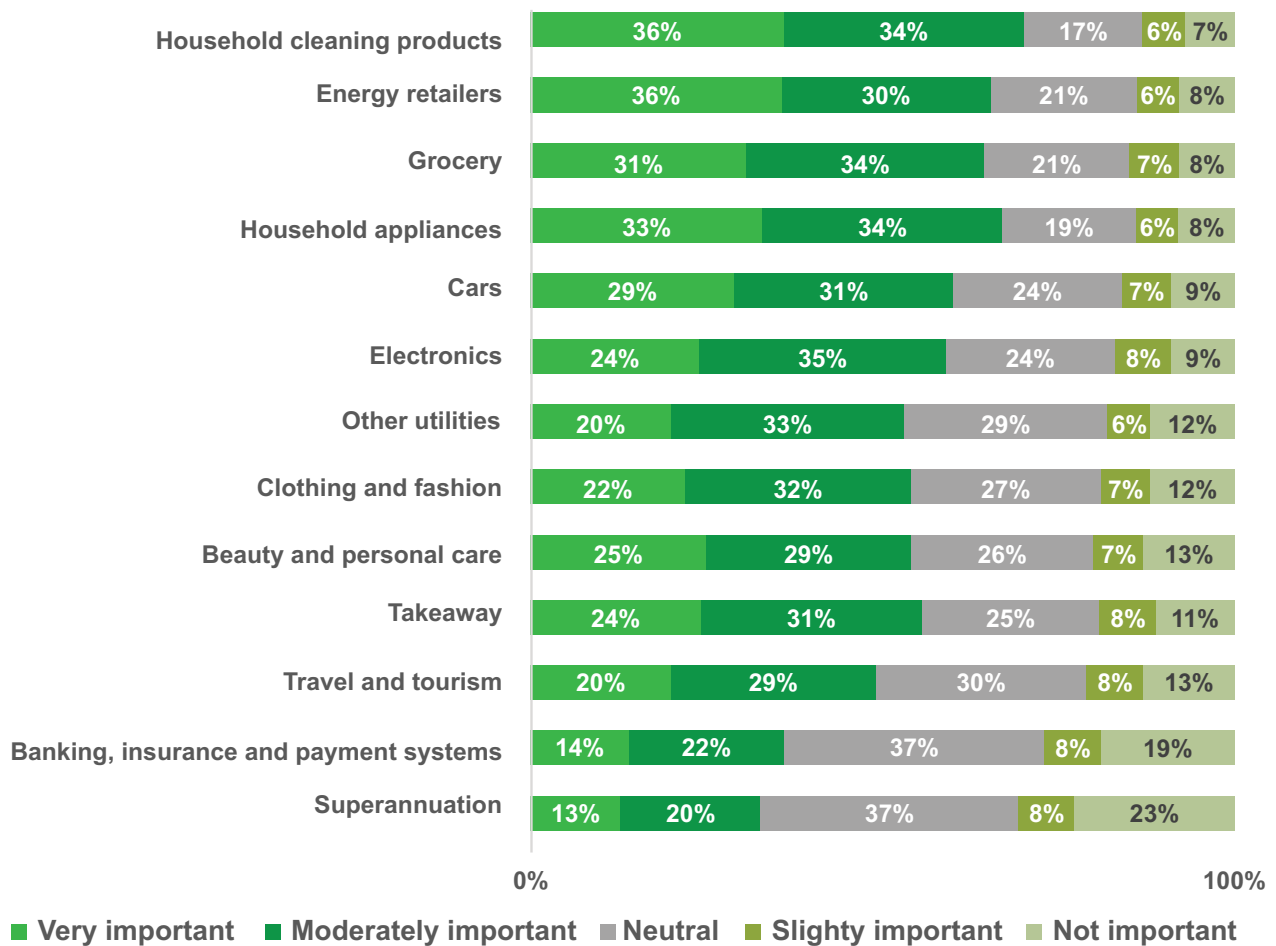
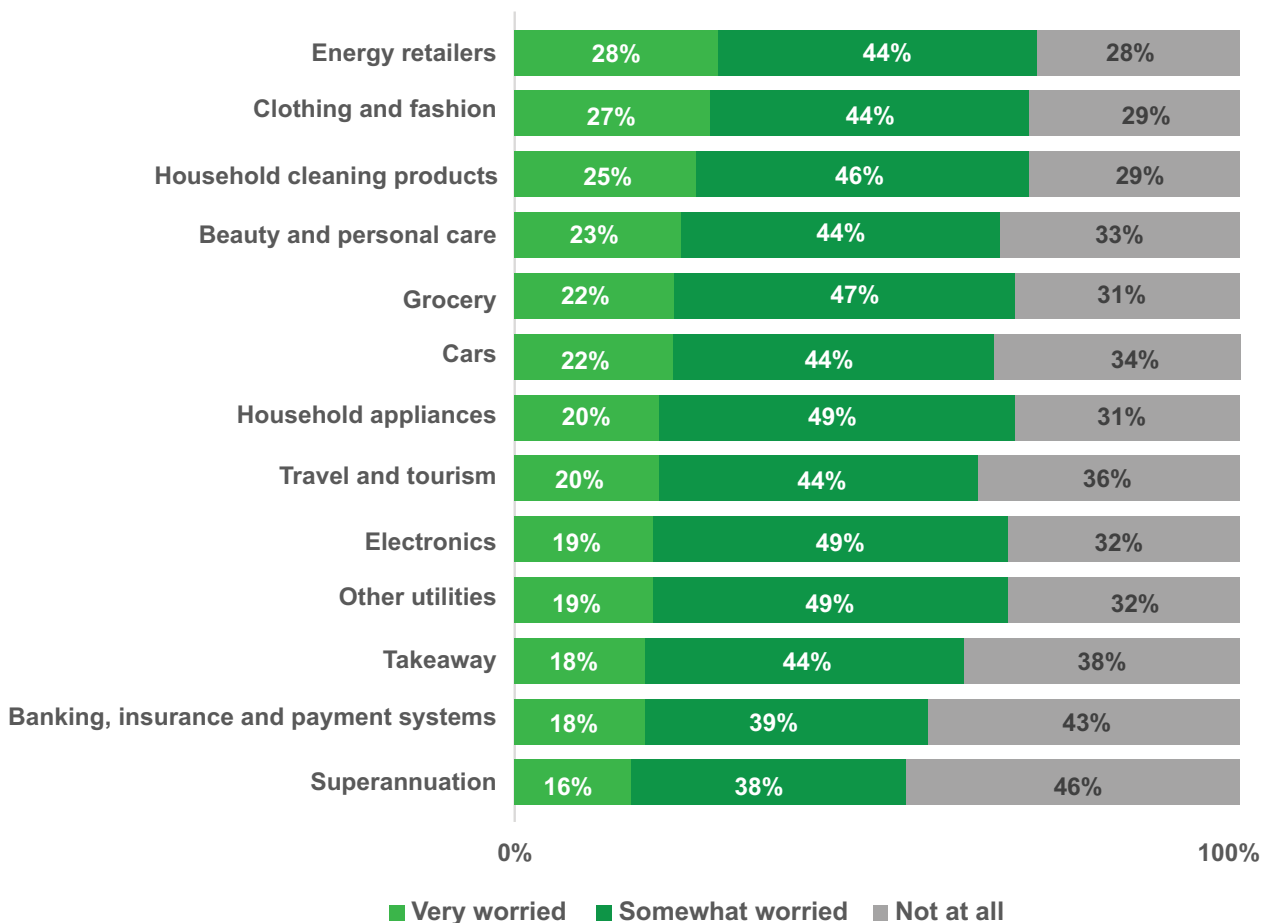


Figure 5: Level of concern amongst consumers that green claims are not true



Spotlight: Green claims in super and banking

In the superannuation and banking sectors, just 33% of people said they thought it was important to have sustainable products in the superannuation sector and 36% in the banking sector. While some consumers were concerned about the honesty of claims in both the banking (57%) and superannuation sectors (54%), these two sectors also had the highest number of respondents (43% banking and 46% superannuation) indicating it was not at all a concern for them.

Just 10% of consumers said they purchased products and services in banking and superannuation because of green claims. This could be lower in these sectors because consumers may be less likely to engage with these sectors or switch providers, and if they have it was not in the last 12 months. We found that 18% of consumers said this question was not applicable for them in superannuation and 11% said it wasn't applicable for the banking sector. We also found that consumers overall were less likely to be influenced by claims about divesting from fossil fuels (18%) or offsetting emissions (15%), which are claims more frequently seen in the financial services sector. These are more likely to be the types of green claims made in the superannuation and banking sectors, which may also be a moderating factor for why consumers make purchases because of green claims in these sectors.

However, consumers who say they regularly factor in sustainability when shopping are much more likely to report seeing and making more purchases because of green claims, even in sectors where the general population reports low awareness of them. 42% of people who said sustainability was always a factor in their decision-making had also purchased in the superannuation sector in the past 12 months because of the green claims used in the marketing or packaging to promote it. This was similar in the banking, insurance and payment systems sectors—43% of people who always prioritise sustainability in shopping said they had purchased a banking product because of the green claim in the past 12 months.

Despite the relatively lower number of consumers making decisions based on green claims in banking and superannuation, any greenwashing in these sectors is likely to result in high consumer harm. 10% of Australian consumers equates to approximately 2 million adult Australians. Superannuation assets alone were \$3.4 trillion in Australia in 2022.¹³ These sectors are important and significant purchases for consumers.

Image below: Bank Australia www.bankaustralia.com.au November 2022, with a statement about changes to their loans policy



Net zero by 2035

It's time to raise the bar on climate action. We know that 2050 is too late, and that our customers care deeply about taking decisive action.

We want to help Australia build the future we all deserve. The time for change is now.

[Learn more](#) →

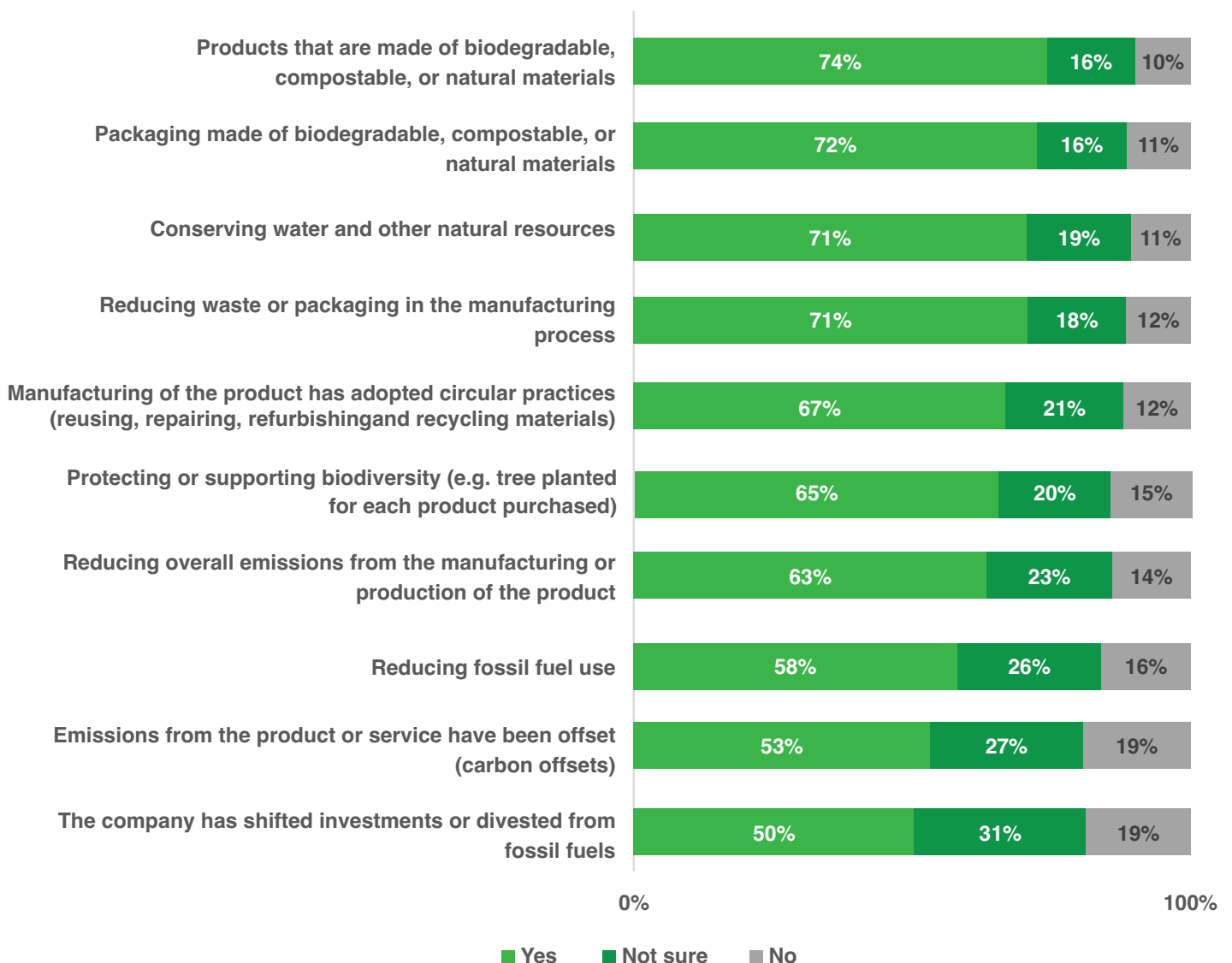
The photograph on the right shows a group of people at a climate protest. A prominent sign in the foreground reads "2050 is TOO LATE" in large, bold letters. Other visible signs include "I'm too young to be having an existential CRISIS" and "HAWAII WILL BE UNDERWATER BY 2050". The protesters are outdoors, and the scene is filled with the energy of a public demonstration.

What types of green claims influence consumers

As demonstrated by the day-in-the life scan CPRC conducted, we can see there are a wide variety of different claims that range from issues such as recyclability through to carbon offsets. We wanted to test which of these types of claims might be more meaningful for consumers.

Half of Australians said all types of sustainable claims would influence them. They were less likely to be influenced by claims about emissions from the product or service have been offset (46% saying they were not sure or would not be influenced by this claim) and claims that the company has shifted investments or divested from fossil fuels (50% saying they were not sure or would not be influenced by this claim). In the day-in-the-life scan, these types of claims were seen less than other types of claims. Claims about the recyclability, or the types of materials the packaging or product was made of were seen more frequently.

Figure 6: Types of green claims that influence consumer decision-making



Green claims and consumer trust

Consumers are more likely to trust small and Australian businesses

We asked questions about how likely consumers are to trust the green claims they see from these different types of businesses. They said they were more likely to trust the claims made by local or small businesses, Australian business, governments, and charities. They were less likely to trust the green claims made by international or online-only businesses.

Table 1: Level of trust consumers have in green claims from different organisation types

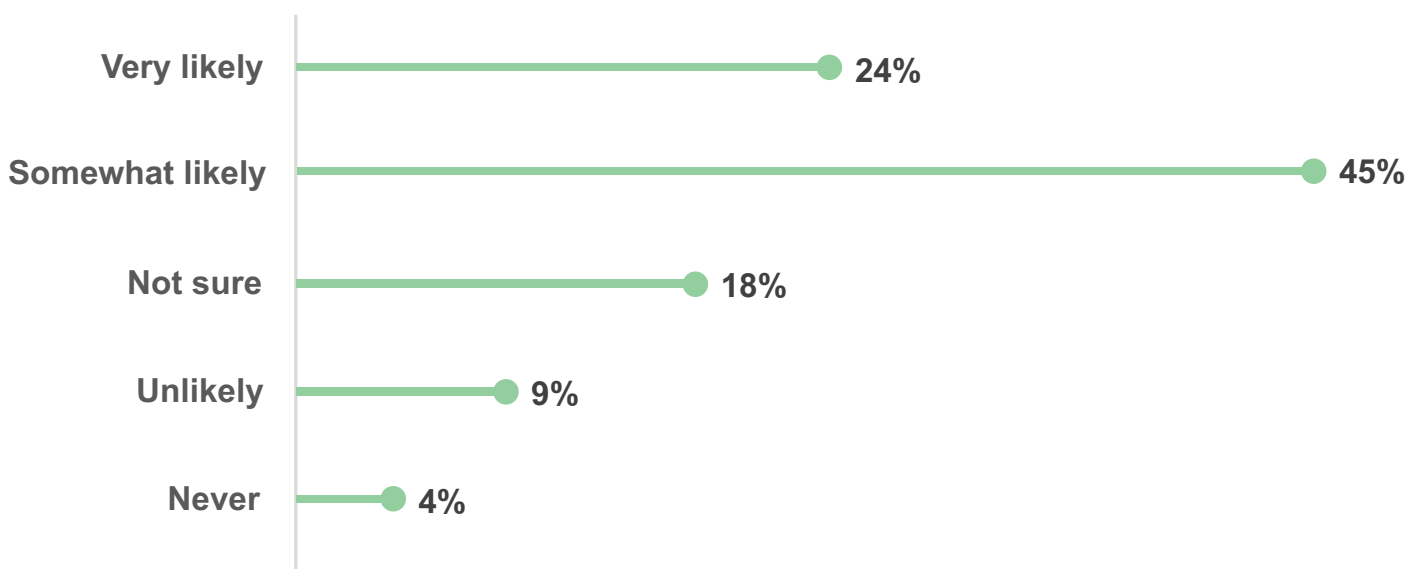
	Local or small business	Australian owned business	International business	Online-only business	Government or regulatory information	Charity or not for profit
Very likely	16%	16%	6%	7%	17%	16%
Somewhat likely	40%	40%	23%	26%	37%	38%
Not sure	29%	29%	39%	40%	25%	28%
Unlikely	10%	10%	24%	21%	15%	13%
Never	5%	5%	7%	6%	7%	6%

Trustmarks and consumer perceptions

Trustmarks are third-party or government-run certification and verification schemes that are used to confirm claims made about factors difficult for a consumer to confirm, including sustainability claims and health claims. We wanted to examine if the presence of a trustmark influenced how much a consumer might trust a green claim.

We found that 69% of Australians are likely to be influenced by the presence of a trustmark about a green claim. 29% of people said they would look to a trustmark to help them to fact-check or verify a green claim. This finding has implications where trustmarks or third-party verification schemes are not accurate or are themselves greenwashing—incorrect statements made with trustmarks are more likely to cause consumer harm.

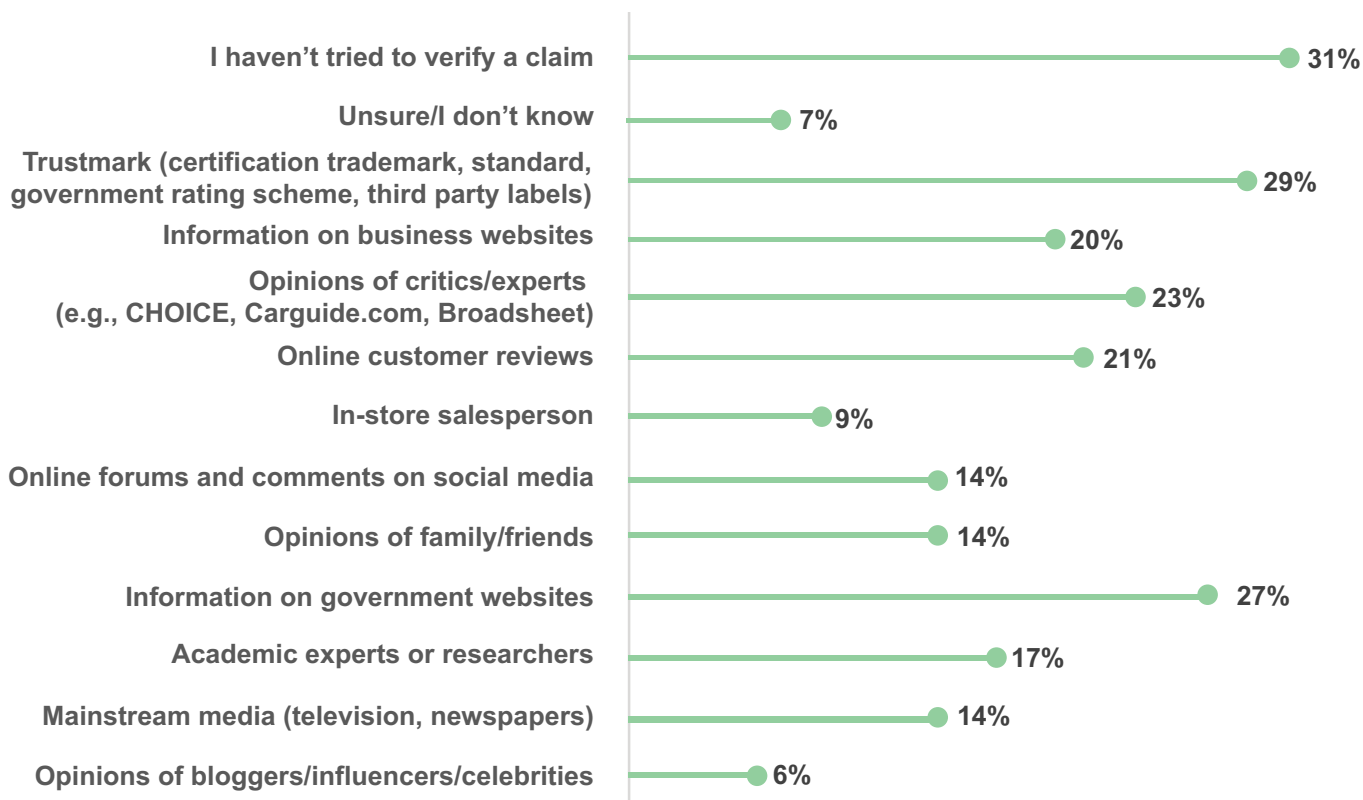
Figure 7: Would the presence of a trustmark increase your confidence that a green claim is true?



Do people fact-check green claims made by businesses?

1 in 3 (31%) Australians said they have not tried to fact-check a green claim. We found that 27% of Australians said they use government websites to help them fact-check a claim, 21% rely on online customer reviews, 23% rely on experts or critics and 20% look at businesses websites. Only 17% of Australians said they look to academics or researchers, 14% rely on friends and family or online forums and comments on social media to help them to check a green claim.

Figure 8: Sources where consumers try to fact-check a green claim



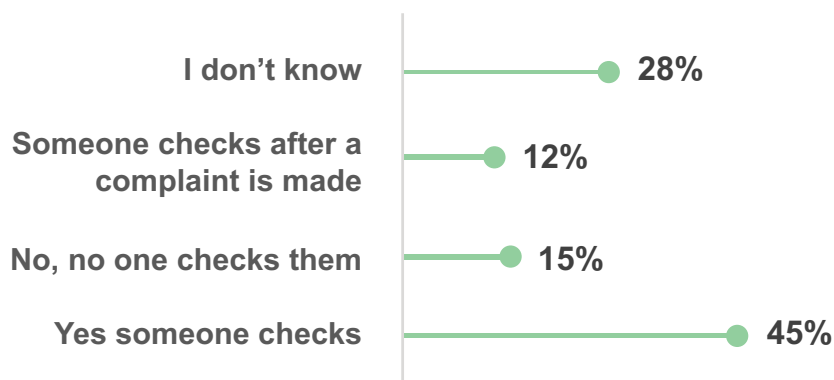
Nearly half of Australians assume that a trusted party is checking if green claims are true

At the moment no one is broadly responsible for checking green claims are accurate before they're used. Ad Standards will review claims in marketing and advertising if a complaint is made, and they have a voluntary environmental claims code.¹⁴ In addition, the ACCC can take against misleading and deceptive practices as they uncover them. However, there are no proactive mechanisms which prevent untrue green claims from being made prior to sale.

We wanted to understand if consumers believe green claims are checked before they are used by a business. Almost half of Australians (46%) thought that someone was checking green claims before they were used. This includes 17% who think the Federal Government checks, 12% who think industry groups check and 16% who think Ad Standards checks green claims.

Only 15% of people thought no one checked green claims and 12% thought that someone checked after a complaint was made. 28% of people did not know if anyone checked.

Figure 9: Consumers think an organisation is checking green claims before they are used in the market



Businesses who are caught greenwashing will face consequences from consumers

We tested what consumers would do if they discovered a business was engaging in greenwashing. We defined greenwashing as “when a company lies or stretches the truth when making green claims about the environmental benefits of their products or services or the environmental practices of the company.”

The results are stark, with 74% of Australians saying they would be affected if they found out a company was greenwashing: they would change their shopping habits, warn other consumers or that it would leave them feeling manipulated.

47% of Australians said they would stop buying or engaging with a business that used greenwashing.



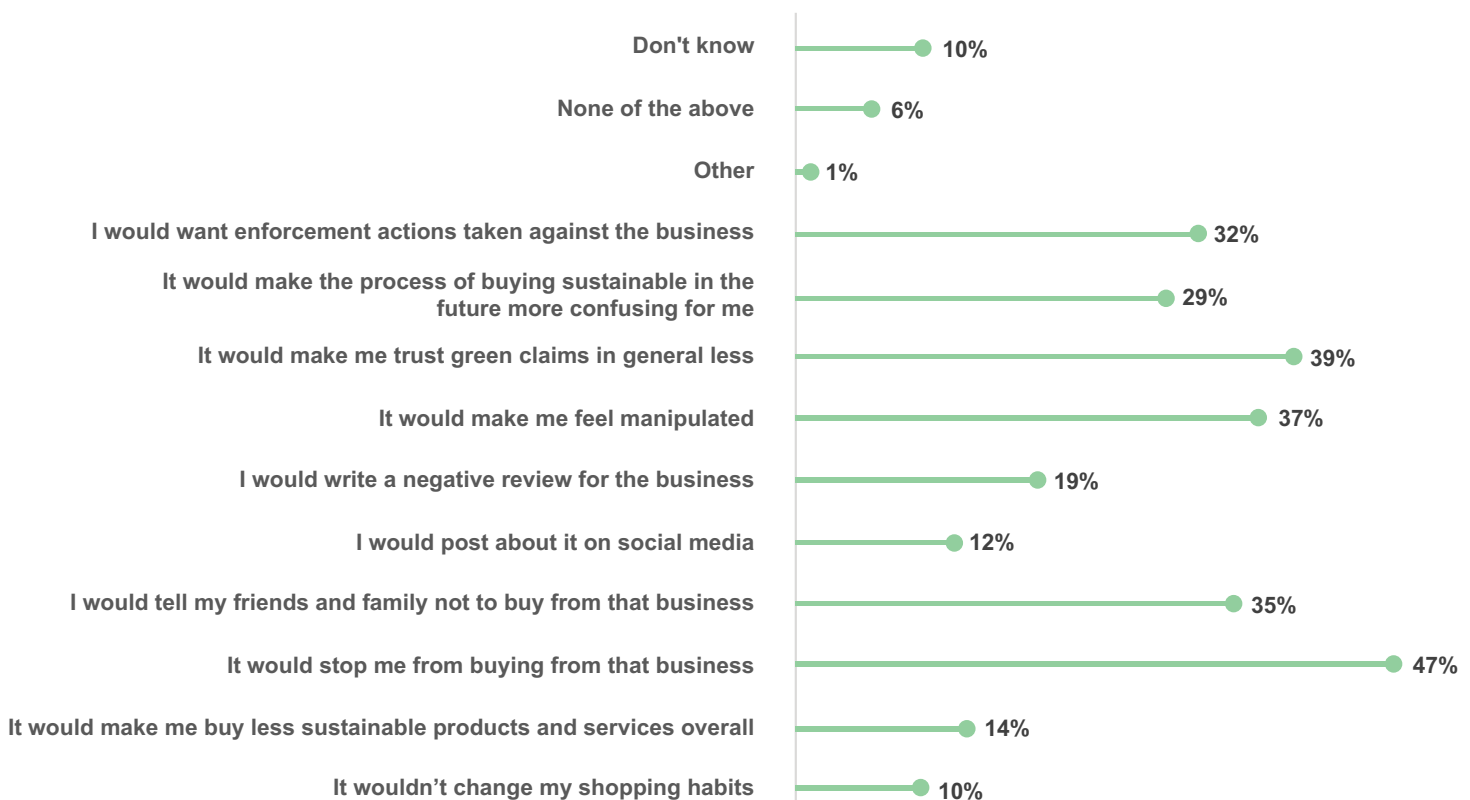
I have a Looong memory. Once I've been burned, they received my wrath forevermore.

CPRC survey respondent

Consumers said they would try to warn others if they caught a company greenwashing, with 35% saying they would tell their friends and family not to purchase from that business, 12% would post about it on social media, and 19% would write a negative review for the business. 32% said they would want enforcement action taken against the business.

Greenwashing will affect consumer confidence and trust in other green claims. 39% of people said they would find it hard to trust green claims in the future and 29% said it would make the process of purchasing sustainable products harder in the future. 35% of people said they would feel manipulated.

Figure 10: Consumer response to finding out a business was greenwashing



Only 10% of Australians said they would not change their shopping habits if they discovered a company was greenwashing and 10% indicated they didn't know what their response would be.

When asked to provide written thoughts on greenwashing, many responded they thought the practice of greenwashing was widespread and that was a general part of marketing. This indicates an existing high level of distrust and scepticism among consumers about business and their motivations and practices.



I'd try and act surprised!

CPRC survey respondent



I expect that they are all "greenwashing"

CPRC survey respondent

Snapshot: Consumers who prioritise sustainability

We asked how often sustainability factored into consumers' decision-making. We found that 45% of Australians said that sustainability regularly factors into their purchasing decision (always + often, referred to as sustainable shoppers below). Only 17% said that sustainability rarely or never factored into their decision-making.

Sustainable shoppers see more green claims on ads in public space and physical displays, 6% of the general population reporting seeing green claims very frequently in these mediums. This rose to 55% for those who said sustainability was a key part of their decision-making.

Sustainable shoppers see a higher number of green claims across all mediums. This group of consumers is more aware of sustainability issues and more likely to be looking for green claims. These results could reflect confirmation or relevance bias. However, they do provide insights to how much more people might be recalling green claims when they are more aware of them. There are likely to be many reasons for the difference between mediums. In some sectors, such as social media and mainstream media it is possibly the result of greater targeting of ads.

Figure 11: Number of consumers who consider sustainability as part of their decision-making

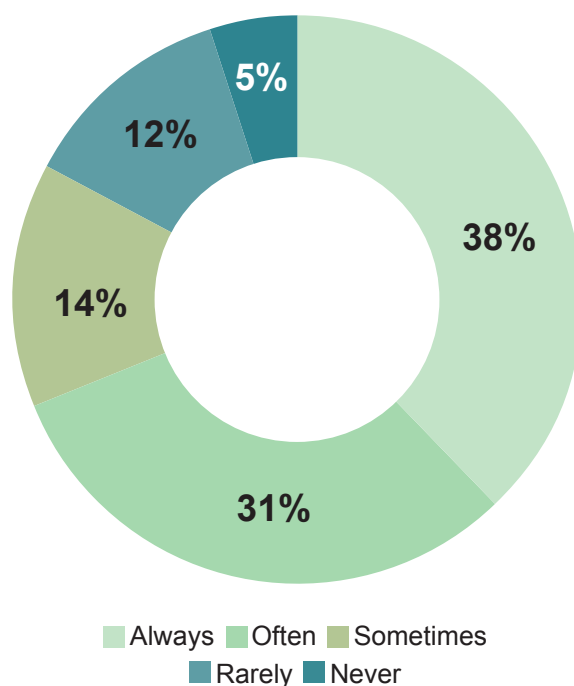


Table 2: How frequently consumers see claims and those who are more likely to factor sustainability into purchasing decisions

	General population who recall frequently seeing green claims	Sustainable shoppers who recall frequently seeing green claims	Difference
Social media	28%	41%	13
Mainstream media	27%	49%	22
Physical display	21%	55%	34
Ads in public	20%	55%	35
Product packaging	40%	34%	-6
Online shopping	22%	44%	22

People who are more likely to consider sustainability as part of their decision-making were more likely to say that all of the different types of claims were very likely to influence them. This was more pronounced with carbon offset, with 29% responding very likely to be influenced by this compared to 14% of the general population. 32% of sustainable shoppers said that claims about divesting from fossil fuels were very likely to influence them compared to 14% of the general population.

Snapshot: Younger consumers



81%

of Australians 18-24 years old report seeing green claims in the groceries sector compared to **74%** of the general population.



57%

of Australians 18-24 years old have purchased groceries in the past 12 months because of a green claim compared to **42%** of the general population.



72%

of Australians 18-24 years old report seeing green claims in the clothing and fashion sector compared to **54%** of the general population.



45%

of Australians 18-24 years old have purchased clothing in the past 12 months because of a green claim compared to **25%** of the general population.



40%

of Australians 18-24 years old said they used a trustmark to fact-check a green claim compared to **29%** of the general population



41%

of Australians 18-24 years old said they would tell their friends and family to not buy from a business that engaged in greenwashing, compared with **35%** of the general population

What does this mean for consumers?

From our survey and our day-in-the-life scan, we know that:

- Consumers are being shown green claims online and off. They're seeing them frequently.
- The quality of green claims vary—from vague imagery and language though to hyper-specific phrases and terms. Very few green claims came with any verification or certification.
- Consumers are being influenced by green claims, with many people saying they make purchases because of green claims.
- Many people worry that the green claims they see aren't true or can't be fully trusted.
- Some groups are more likely to be influenced by green claims, particularly young people and people who say they regularly prioritise sustainability when shopping.
- People are more likely to trust green claims when they come with a trustmark or from local, small or Australian businesses.
- Nearly half of all Australians assume that a trusted party is proactively checking the accuracy green claims, even though this isn't the case.
- Businesses will face consequences if they are caught greenwashing—consumers will respond by changing their shopping habits and warning others.

The risk of harm from greenwashing

Greenwashing has the potential to create a number of consumer and competition harms. It can also cause harm to our environment when businesses fail to act on promises made that should be contributing to larger sustainability goals.

Harms to consumers can be financial. Consumers may spend more on a green product, spend money that they would have on another genuine green product, or risk losing money due to an untrue claim.

Where greenwashing becomes prevalent it can erode consumer trust in labels and certification schemes, or genuine green claims. This may reduce their desire to adopt sustainable actions and risk further erosion of trust.

Our survey shows that many people would feel manipulated if they discovered a business had been greenwashing. They also felt it would impact on their ability to exercise their choices and desire to be more sustainable in the future. This means greenwashing can negatively impact attempts at reducing environmental harms and combatting climate change.

Beyond direct consumer harms, greenwashing can impact market competition. Companies engaging in greenwashing may be able to exercise market power or gain an unfair competitive advantage which has the potential to reduce competition in some markets. This is likely to create harms for those businesses who are using green claims responsibly.

How to make green claims work for consumers

We want a future where consumers can trust green claims. This means that green claims will need to be both accurate and meaningful, helping people to find options that genuinely contribute to sustainability efforts.

To create this future, we need businesses, regulators and governments to take concrete steps to remove unhelpful or misleading green claims and to get better quality information into the hands of consumers.

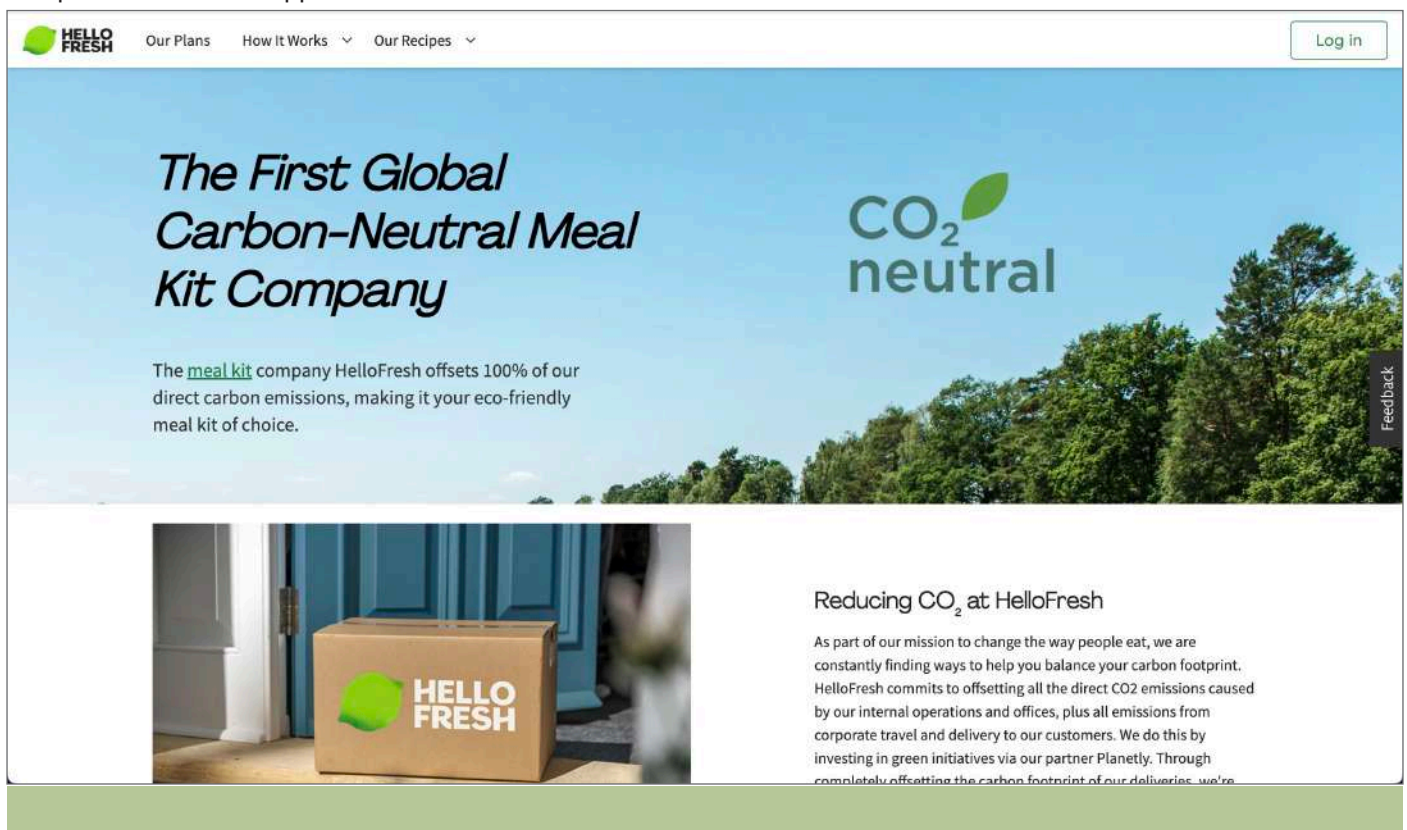
The onus is not on consumers to attempt to verify claims or spend hours researching the various claims they see in a day. It is up to industry and government to make green claims worthy of consumer attention.

Businesses need to take greater responsibility for green claims

This could look like:

- Businesses proactively checking to see if the green claims they're making are accurate and meet ACCC or ASIC guidelines.
- Businesses being as transparent as possible and providing information on their websites about the steps they have taken to ensure green claims are true.
- Businesses consumer-testing green claims before they hit the market, checking to see if advertising and marketing is accurately understood by consumers and genuinely helps them to make decisions. Businesses should release this research wherever feasible.
- Businesses using their industry expertise by working with regulators to identify where players in their sector may be misusing green claims.
- Industry associations using codes and sector-specific regulation to set standards for green claims relevant to their industry.

Image below: Hello Fresh www.hellofresh.com.au November 2022, a statement about the companies emissions approach



The screenshot shows the Hello Fresh website with a navigation bar at the top containing the logo and links for 'Our Plans', 'How It Works', and 'Our Recipes'. A 'Log in' button is in the top right corner. The main content area features a large blue header with the text 'The First Global Carbon-Neutral Meal Kit Company' and a 'CO₂ neutral' logo. Below this, a paragraph states: 'The [meal kit](#) company HelloFresh offsets 100% of our direct carbon emissions, making it your eco-friendly meal kit of choice.' A 'Feedback' button is visible on the right side of the header. The lower section of the page includes an image of a Hello Fresh meal kit box and a section titled 'Reducing CO₂ at HelloFresh' with text describing their carbon offsetting strategy.

Regulators should continue to enforce the law and provide guidance for businesses to do the right thing

This could look like regulators:

- Continuing to prioritise enforcement cases that target greenwashing. Based on our survey results, regulators should target enforcement activity at areas with the potential for greater consumer harms:
 - Trustmarks
 - Australian or small businesses
 - Energy sector
 - Superannuation
 - Banking and finance sectors
 - Where action has been taken overseas on international companies that also operate in Australia
- Improving the voluntary guidance on green claims. The ACCC guidelines could add greater guidance on the use of certification schemes, third-party labelling and the use of industry awards to highlight green practices.
- Identifying what claims are being widely misused by businesses, to assist with further reform.
- The ACCC conducting a market study into green claims, allowing further focus on this issue. The market study could look at the quality of green certification and third-party labelling as well as the evidence businesses are currently using to support claims like biodegradable, compostable and organic.

Australia needs stronger laws to proactively stop greenwashing

Our current consumer protection system is focused on punishing harms that have occurred rather than preventing harms from occurring in the first place.

Given the volume of sustainable claims in the market, and that many are failing to meet the basic voluntary guidance issued by regulators, Australia needs more solutions that stop unhelpful and misleading claims before they hit the shelves.

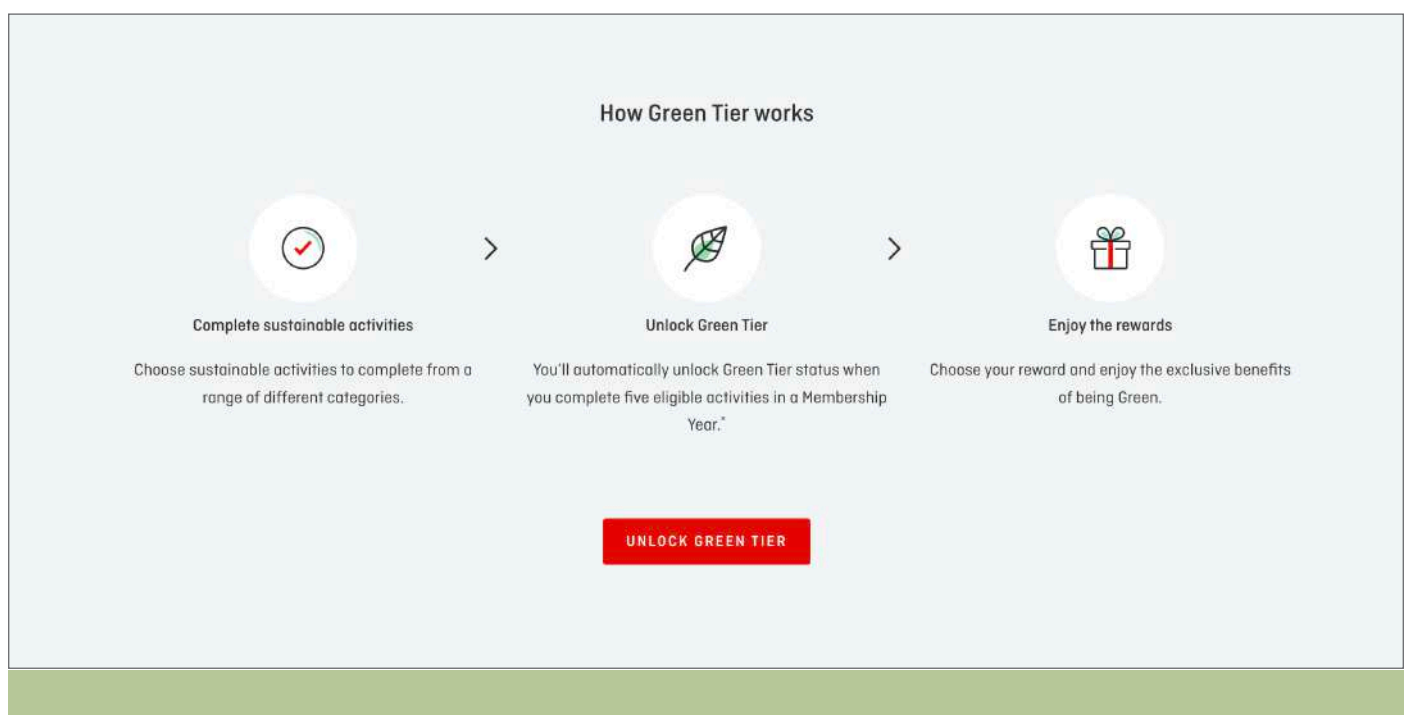
This could look like:

- Bans on specific phrases that are being widely misused, especially generic claims.
- Introducing a verification system for the most problematic green claims, so that a responsible party sets standards for the use of those green claims and checks to see if they are being used correctly.
- Governments supporting and introducing high-quality, comparable green claims to help consumers make informed decisions. As a start, the Federal Government should progress recommendations from the Productivity Commission's Right to Repair review to develop durability and reparability labelling.

We also see the need for further research. This report was designed to explore emerging consumer protection issues in the sustainable consumption sector. Based on this work we see the need for:

- Sector-specific research to better understand consumer experience in energy, superannuation, banking and clothing and fashion sectors and the underlying reasons for why consumers may see and act on green claims in each sector differently.
- Targeted research into the use of trustmarks and labelling schemes in Australia, including studies into what effective or high-quality green claims look like.
- A deeper exploration of consumer harms from greenwashing, including in-field or qualitative research to better understand consumer decision-making.

Image below: Qantas www.qantas.com November 2022, Qantas Green Tier that provides frequent flyer points for sustainable actions



Attachment A

A day-in-the-life scan

Time	Activity	Potential green claims
Saturday 9am	Coffee	Packaging—compostable, recyclable, made from x Coffee—grown and transport Café itself—uses x
Saturday 9.30am	Public transport into city	Ads—sustainable products/industries
Saturday 10am	Fashion shopping	Recyclability of products Input of products
Saturday 11am	Grocery store	Compostable plastics, recycled materials
Saturday 11.45am	Stationery store	Pens made of recycled plastic/packaging free from plastic
Saturday 12 noon	Takeaway food	Packaging
Saturday 12.30pm	Public transport home/ with incidental internet time	Ads and products/news etc.
Saturday 1pm	Search for flight	Ads and claims about offsets,
Saturday 2pm	Shop for protein powder	E-commerce claims carbon neutral shipping
Saturday 2.30pm	Search for a hairdresser	Sustainability and recyclability of products
Saturday 2.45pm	Online news	Banner ads etc.
Saturday 3pm	Gaming	Online/mobile games—in-game purchases
Saturday 5pm	Superannuation/banking	Claims about investing, offsets
Saturday 6pm	Dinner—ordering food box service	Claims about the sustainability of the company or service
Saturday 7pm	Evening TV	Ads



Endnotes

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- 7 ACCC, 2011, Green marketing and the Australian Consumer Law, Australian Competition and Consumer Commission, <https://www.accc.gov.au/system/files/Green%20marketing%20and%20the%20ACL.pdf>
- 8 Yang Z., Nguyen T., T., H., Nguyen N., Nguyen T., T., N., 2020, Greenwashing behaviours: Causes, taxonomy and consequences based on a systematic literature review, Journal of Business Economics and Management 2020 Volume 21 Issue 5: 1486–1507 DOI: 10.3846/jbem.2020.13225
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- 14 Australian Association of National Advertisers, 2018, Environmental Claims Code, <http://aana.com.au/content/uploads/2018/03/180316-Environmental-Claims-Code.pdf>



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