



Submission

# **Climate Active – program direction consultation**

January 2024

## **About the Consumer Policy Research Centre**

The Consumer Policy Research Centre (CPRC) is a not-for-profit consumer policy think tank. Our work is possible thanks to funding from the Victorian Government.

Our role is to investigate the impacts that markets and policies have on Australian consumers and advise on best practice solutions.

Submission made via email.

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## **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.

**[cprc.org.au](http://cprc.org.au)**

## Climate Active – Making the logo work for consumers

This is the right moment to review the Climate Active scheme and make improvements to encourage more businesses to take meaningful action to reduce emissions. Broadly, CPRC supports the steps outlined in the consultation paper. We have focused our comments in this submission on improvements that will benefit consumers who use the scheme through the logo and other information provided by Climate Active members.

Many Australian consumers want to make purchases that support good environmental outcomes. However, it can be far too hard to identify what businesses are taking genuine environmental action.

The Climate Active program can help organisations understand and reduce their carbon emissions, but it also plays an important role in providing information to consumers, especially through the use of the Climate Active logo. The rules for use of the logo need to be centred around the needs of consumers – what do they need to make genuine comparisons and informed decisions?

### Proposal 2 – emissions reduction achievements

We are broadly supportive of the proposal that businesses and organisations must demonstrate that they are on track to meet their near-term gross emissions reduction targets to be certified.

However, the paper hasn't specified how this proposal will interact with any use of the Climate Active logo. The scheme should issue guidance about what process it will follow when a certified organisation fails to meet its goals. Guidance should include:

- an outline of a non-exhaustive list of instances when logos must cease to be used
- details of when corrective actions and statements must be issued to an organisation's customers or the public, noting that targets have not been met
- possible examples of clear corrective statements that organisations can use as a template, and
- a framework, including timeframes, for how an organisation can rectify any breaches with the scheme and how relevant actions should be reported to Climate Active.

### Proposal 7 – certification claims

We support discontinuing the term “carbon neutral.”

There is a growing body of research that shows a high level of consumer confusion about the term “carbon neutral”. CPRC's research into consumer understanding of environmental claims found that Australians are less likely to rely on claims about emissions reduction than other types of green claims.<sup>1</sup> This lower usage is likely due to a combination of reasons including lower understanding and lower trust of the term.

International research has found that consumers believe that the term “carbon neutral” implies that an absolute reduction in carbon emissions has occurred or would occur. They feel misled when they discover that offsetting plays a role in carbon neutral claims.<sup>2</sup> Similarly, recent research from the EU found that only 40% of people believe they understand carbon claims – when asked about the meaning of specific claims like “carbon neutral”, most answer incorrectly. Almost two thirds of Europeans incorrectly think that products and services with a carbon neutral claim have been produced without emitting any CO<sub>2</sub> emissions at all.<sup>3</sup>

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<sup>1</sup> CPRC (2022), *The consumer experience of green claims in Australia*, p 20. <https://cprc.org.au/green-claims/>

<sup>2</sup> ASA (2022), *Environmental claims in advertising: qualitative research report*, <https://www.asa.org.uk/static/6830187f-cc56-4433-b53a4ab0fa8770fc/CCE-Consumer-Understanding-Research-2022Final-090922.pdf>

<sup>3</sup> BEUC (2023), *The great green maze – how environmental advertising confuses consumers*, [https://www.beuc.eu/sites/default/files/publications/BEUC-X-2023-149\\_The\\_Great\\_Green\\_Maze\\_How\\_environmental\\_advertising\\_confuses\\_consumers.pdf](https://www.beuc.eu/sites/default/files/publications/BEUC-X-2023-149_The_Great_Green_Maze_How_environmental_advertising_confuses_consumers.pdf)

Alternative terms should be considered that are strictly accurate and easy for consumers to understand. The Climate Active program should identify a short list of alternative term descriptors and conduct research to test consumer understanding of the terms to ensure people will accurately understand what is being conveyed. Below are terms to consider testing:

- Actively reducing carbon emissions.
- Actively lowering carbon output.
- Continuously working to reduce carbon emissions.
- Actively reducing how much carbon our company produces.

Our organisation is reducing our greenhouse gas/CO<sub>2</sub> impact on the world.

Tests for consumer understanding should be conducted using both surveys and qualitative methods such as cognitive testing and focus groups to better capture the views of diverse communities in Australia.

We caution against the use of terms that imply an organisation is “lower carbon” or any other term that could imply the company is comparatively better than other options on the market. While companies will reduce emissions to improve on their past usage there are likely to be other competitors or market alternatives that innately produce lower emissions.

## Proposal 8 – certification pathways

We strongly support the proposal that certification is reserved only for businesses achieving credible climate action.

The three-tier certification pathway is a positive evolution of the Climate Active Scheme. We strongly support limiting the use of the Climate Active trademark to only certified organisations that are making tangible progress in reducing emissions. This will ensure that the logo gives a clear and meaningful signal to consumers about which companies are making genuine investments in emissions reduction.

The Climate Active logo should not be a gift to companies but instead act as a clear signal to consumers about companies making genuine investments in emissions reduction. There should not be concessions such as a longer timeframe for action for hard to abate sectors. Consumers need to know which companies have made genuine progress. It’s important that consumers don’t get a signal that sectors that may have more challenging processes towards reducing emissions are doing well if they aren’t yet feasibly able to reduce emissions. Similarly, there should be no logo use available for companies at the “pending” stage of the certification pathway. Public claims about the pending category will make it more difficult for consumers to distinguish between companies that have made genuine steps to reduce emissions and those with only a plan to do so.

We see one major gap in the certification pathway process. While not stated directly in the consultation paper, we assume the Climate Active scheme will continue to allow partial certification, i.e. give businesses the option to certify that a specific product or arm of their business is participating, excluding other operations. Currently the scheme allows certification for organisations, products, services, events, buildings and precincts.<sup>4</sup> This targeted certification can make sense for a business on its journey to wider emissions reduction but allowing logo use for limited certification creates a very high risk of consumer confusion.

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<sup>4</sup> Climate Active (2023), *Certification*, accessed 15 January 2024 <https://www.climateactive.org.au/be-climate-active/certification>

For example, Ampol Limited currently has a Climate Active certified product – a petrol and diesel fuel.<sup>5</sup> This has allowed the company to make claims about its status and present itself as a company that is taking “*action today for a sustainable future tomorrow.*”<sup>6</sup> Ampol sells fossil fuels which have a direct and harmful effect on the climate. It is absurd that it can receive a very narrow certification for a single product, allowing it to present this as an organisation-wide initiative that is working towards reducing its climate impact. This is the perfect example of the “halo effect” that limited product and service certification can create.

**We strongly recommend that the Climate Active logo is only available for organisation certification and cannot be used when companies certify stand-alone products or services.**

## **Additional proposal - Need for further investment in monitoring, enforcement and complaints management for logo use**

The Climate Active scheme could evolve to better manage how it monitors company use of its logo and manages complaints about logo use. Currently there is no way dedicated way for a member of the public to make a complaint about the use or misuse of the Climate Active logo. There is also very limited information about the monitoring and enforcement undertaken by Climate Active to ensure that certified members use logos and claims appropriately.

We recommend that Climate Active apply the approach outlined by the iSeal Alliance in their *Sustainability Claims, Good Practice Guide*.<sup>7</sup> At minimum, Climate Active should undertake the following:

- Determine and outline what monitoring activities will be undertaken for logo use. This could include online tracking, media reporting and shadow shopping initiatives.
- Determine who is responsible for monitoring, specifically whether it is completed regularly by Climate Active staff or an independent agency. This activity should be specifically funded through certification fees.
- Prepare a publicly available procedure that outlines how Climate Active will receive and act on reports of claims/logo misuse. This will need to include misuse by certified organisations and those “outside” of the system making potentially false claims. The procedure needs to outline how reports are assessed and by what party. Improve the trust in the scheme by appointing an independent committee to review reports of misuse, instead of having Climate Active staff review these complaints.

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<sup>5</sup> See <https://www.climateactive.org.au/buy-climate-active/certified-members/ampol-limited>

<sup>6</sup> Ampol, *Ampol Carbon Neutral*, accessed 15 January 2024 <https://www.ampol.com.au/business/products-and-services/carbon-neutral>

<sup>7</sup> Iseal Alliance (2015), *Sustainability Claims Good Practice Guide*, <https://www.isealliance.org/defining-credible-practice/guidance-sustainability-claims>