5

Marketing the Environment Industry

5.1 Raising market awareness of environmental technologies and enabling differentiation of goods based on environmental performance can provide a strong impetus for shifting business practices towards ESD. For businesses to make this shift, they require access to the technologies, innovation and information that will improve environmental performance.

5.2 The Committee considers that marketing the environment industry, and the goods and services it has to offer, is key to achieving more widespread and integrated ESD across all sectors.

5.3 Initiatives such as the EIAA and the Renewable Energy Action Agenda (REAA) have developed long-term strategies for expanding domestic and export markets. There is strong industry involvement in and commitment to these processes. Both Action Agendas have set ambitious future growth targets and achievement of these targets is likely to result in increased employment opportunities in the environment industry.

5.4 Issues of market information failure were raised in the context of both Action Agendas and recommendations have been agreed which address aspects of marketing the industries. These Action Agenda recommendations are in the process of implementation.

5.5 From evidence presented, the Committee sees scope to build on some of the recommendations of the Action Agendas and to introduce new initiatives to strengthen the marketing of the environmental goods and services industry in Australia. Issues considered by the Committee include:

- The consolidation of information on Australian environmental capability and the verification of new technologies; and
- Enhancing industry marketing to consumers through more informative labelling.

5.6 The issues of capability information and marketing apply to the renewable energy industry as well as the broader environmental goods and services industry. However, the renewable energy industry also faces more specific growth challenges. These are considered in Chapter 6 'Marketing Renewable Energy'.

The Environment Industry Action Agenda

5.7 The EIAA was released in September 2001. It sets out 18 industry and Australian Government agreed recommendations to assist the environment industry achieve its vision:

> … to add value to all Australian business by enabling competitive outcomes, and in the process build an environment industry with annual sales exceeding $40 billion by 2011.[1]

5.8 The Action Agenda is driven by an overarching theme of 'capturing the high ground', which is supported by the following four key strategic themes:

- Valuing and pricing the environment – covering actions designed to improve business and consumer understanding of the value of the environment, and to enable markets to better take account of environmental factors;
- Building markets and competitiveness – action that will increase the competitiveness of the industry, promote competition and remove unnecessary regulatory impediments and compliance costs;

1 ISR (2001), *Environment Industry Action Agenda: Investing in Sustainability*, p. 8.

- Innovation – actions focussing on innovation to create additional competitive advantage for the environment industry; and
- Marketing the industry – actions seeking to expand demand for environment goods and services by encouraging management by consumers and investors, and by directly promoting the capabilities of the environment industry.[2]

Capability Directories

5.9 Fragmentation of the environment industry was an issue identified in the EIAA and continues to impede networking and marketing opportunities for the sector. A consequence of this fragmentation is duplication of some resources and a lack of accessible information in other areas. This is particularly apparent in the case of capability databases and directories.

5.10 ITR advised the Committee that the industry faces a number of potential barriers and amongst these:

> The ones which seem to be most prominent … would be the structure of the industry in terms of it being predominantly made up of small and medium sized enterprises and where the largest organisations tend to be government owned corporations, such as Sydney Water and so on, which naturally have a focus closer to home and on the management of their particular territory rather than on, say, exporting. The structure of an industry with a very high SME content is one difficulty for the industry.[3]

5.11 The environmental goods and services sector is driven by innovation. Changing regulations and expectations are demanding new solutions to deal with problems of waste or to improve efficiency. Often there is a need for solutions to be tailored to company specifications, rather than purchased off the shelf.

5.12 A further challenge for the environment industry is the demand for goods and services which often originates from companies who are unfamiliar with regulatory requirements or solutions. So clients are potentially seeking information as well as environmental solutions.

2 ISR (2002), *Environment Industry Action Agenda: First Year Implementation report*, p. 8.

3 *Transcript of Evidence*, p. 21.

5.13 In the context of a sector reliant on high levels of innovation and dominated by SMEs, information networking and technology diffusion are key to growing the industry.

5.14 The EIAA discussion paper noted that the environment industry faces a number of challenges, including market information failure. The report stated that:

> The diffuse nature of both the demand and supply sides of the environment industry across all sectors of the economy and the weak value chain linkages between them constitute market information failure. The environment [industry] is also characterised by market failure due to significant externalities and its public good nature.[4]

5.15 The discussion paper identified industry development, rather than enhanced research and development, as the primary requirement for the Australian environment industry to capitalise on this competitive advantage.

5.16 Given the challenges faced by the sector, the Committee was impressed at the initiatives of industry organisations and Australian Government departments and agencies to utilise information technology in promoting industry capability.

5.17 Currently there are a number of databases and capability directories for the environment industry. These include:

- Environment Australia's EnviroNET – an on-line industry expertise database detailing Australian companies and government organisations which provides technologies, instrumentation, monitoring equipment, and consulting services relating to environmental issues and problems (www.environet.ea.gov.au);
- The EIDN's Environment Directory - an online national database of Australian environmental technologies, products and services for which companies pay a fee to list online (www.environmentdirectory.com.au); and
- EBA promotes industry capability through their website (www.environmentbusiness.com.au).

4 ISR (2001), *Environment Industry Action Agenda: Investing In Sustainability Discussion Paper*, p. 29.

5.18 There are also a number of online services and directories maintained by industry associations or agencies dealing with segments of the environment industry. Examples of these include:

- The CCF maintains a listing of providers of environmental goods and services which are relevant to its operators;
- The South Australia Water Industry Alliance website promotes the capabilities and technologies of this sector; and
- The South Australia Environment Protection Authority has assisted in the development of a CD-ROM database of Environmental Consultants.

5.19 Some more generic databases, which are not specific to the environment industry, also promote supplier capabilities. These databases include:

- The Austrade Suppliers Database (www.austrade.gov.au); and
- The Industrial Supplies Office Network (often referred to as ISOnet) - a State-based network established to assist purchasers identify the supply capability of local manufacturers and service providers.

5.20 In its submission, the CCF noted the existence of some of these databases, and highlighted the usefulness of consolidating this information into a more centralised form:

> A register of goods and services available could be useful not only to the end users but to the contractors seeking better methods for doing the work now being tendered. While there are some existing commercial listings, there may be scope for a more consolidated on-line service.[5]

5.21 At a public hearing, the CCF expanded on this view and the particular importance of a technology database to harness and build on innovative environmental solutions:

> Obviously, for a piece of machinery or a well-accepted practice, you can have an off-the-shelf solution in terms of environment control or anything like that. But, if you are talking about remediating a situation like the 150-year-old quarry that we looked at in Cairns a couple of years ago … you do not find off-the-shelf solutions; you come up with

5 Submission no. 11, p. 3.

> some innovative thinking and those sorts of things ... But there needs to be some way of creating an archive of that material and having it readily accessible. We have the ability to deliver it. I am not sure that at the moment we have the ability to collate it all.[6]

5.22 The submission from the Western Australian Department of Premier and Cabinet also noted the importance of appropriate and centralised marketing to overcome the difficulties of a diverse client base and an industry structure dominated by SMEs. The Department commented that:

> Obtaining information on overseas export opportunities may be subject to market failure through 'information asymmetry' – where information exists but accessing that information is prohibitively expensive for SMEs. Again, one solution to this impediment may be the development of coordinated marketing information on businesses opportunities that can be shared by Australian companies.[7]

5.23 The issue of multiple capability directories and databases on the Australian environment industry was considered in the development of the EIAA. The Action Agenda report noted the value of the internet in promoting environment businesses and the extensive use already being made of e-commerce and showcasing opportunities. However the EIAA report also noted with concern that:

> … the existence of multiple sites, all claiming to show-case the capabilities of the environment industry can actually create confusion in the minds of potential buyers seeking information on Australian capabilities – a case of information overload defeating the original marketing intent.
>
> The situation could be improved by:
>
> - The creation of a single 'environment industry portal' which acts as an entry point with links to the various sites already in existence; and

6 *Transcript of Evidence,* p. 105.

7 Submission no. 22, p. 4.

- Consultation between the operators of the existing web-sites with a view to agreeing to jointly promote the environment industry portal, as well as their own site, and to review arrangements for achieving the most effective and efficient marketing outcome for the environment industry with the resources currently employed by the various operators.[8]

5.24 This finding was addressed in recommendation 14d of the EIAA, which stated that:

> Industry to more actively market the Australian environment industry, in particular by promoting its capabilities and success stories. This should include (but not be limited to): …
>
> - Reviewing current environment industry internet marketing and databases with the aim of developing a more coordinated and customer focussed approach, including a common entry point.[9]

5.25 Industry and the Australian Government share joint responsibility for implementation of this recommendation. The recommendation is scheduled for implementation in 2003.

5.26 The Committee agrees with the recommendation of the EIAA and the aim of developing a more coordinated and consolidated approach to marketing industry capabilities.

5.27 The Committee considers that a central website listing Australian environment industry capabilities should be available. It may be appropriate to locate within this centralised site access to other more specialised databases which are then maintained by the relevant industry organisation or similar. However, a single portal is vital if the industry is to overcome the difficulties of fragmentation and definition.

5.28 The Committee considers that consolidating the existing listings and establishing a comprehensive database of environmental goods and services is a priority. The Committee also considers that this single portal and a consolidated database should also include information on innovative and verified environmental technologies.

8 ISR (2001), *Environment Industry Action Agenda: Investing in Sustainability*, p. 48.

9 ISR (2001), *Environment Industry Action Agenda: Investing in Sustainability*, p. 50.

Innovation and Verification of Technologies

5.29 The ability to innovate, commercialise and market new technologies is key to developing supply of and demand for environmental goods and services. This is supported by the conclusions of a 1996 OECD report which found that the two of the principal competitive advantages of the environment industry derive from:

- Technological innovation (it has been estimated that 50 per cent of the environmental goods which will be used in fifteen years do not currently exist);
- Quality and service performance (the ability to adapt products to client needs and capability to produce effective and easily managed products).[10]

5.30 The Committee heard evidence from organisations regarding opportunities and funding available for commercialisation of new technologies. Australian Superconductors are developing technology to reduce energy loss during electricity transmission and distribution. The business is seeking to develop an engineering prototype in the electricity grid and has struggled to access funding grants appropriate to the project, claiming that:

> … the feedback we receive is that funding is being targeted to renewable generation (and not energy efficiency) or at fossil fuel industries (and not new technology) because of a perceived lower-risk profile.[11]

5.31 The IEAust also expressed concern that the Australian Government was not adequately funding SMEs in start-up and development grants. IEAust noted that funding for the AusIndustry START R&D grants had been suspended at one time, commenting that:

> Although AusIndustry has stated that the program will continue, the IEAust believes that more funding is required to ensure that the R&D START program is not suspended in the future.[12]

10 ISR (2000), *Environment Industry Action Agenda: Investing in Sustainability Discussion Paper*, p. 25.

11 Submission no. 6, p. 2.

12 Submission no. 21, pp. 3-4.

5.32 The IEAust also cited evidence from the OECD on environmental R&D in government budgets, revealing that R&D in Australia's environment sector grew by only 0.2 per cent during 1991-99. In comparison, other developed nations recorded a significantly stronger growth rate over the same period. For example, Canada recorded 10.3 per cent, Ireland 13.7 per cent and Italy 12.2 per cent.[13]

5.33 The IEAust view regarding the lack of start-up and development grants was not shared by the EIDN. In its submission to the inquiry, the EIDN identified issues of market information and promotion as critical to the development of the sector. The EIDN suggested that the commercialisation of new technologies was not an issue for the sector as Australian Government assistance programs were enabling companies to overcome this hurdle. The EIDN stated that:

> Being very objective about it, the federal government has initiated many programs to try to assist in this way. I would refer to the COMET program, the Commercialisation of Emerging Technologies program, which was established by AusIndustry. I cannot imagine that anything more could be done.[14]

5.34 ITR presented evidence to the Committee regarding the key role that innovation plays in industry development and in the environment industry in particular. In relation to access to funds for innovation and commercialisation, the ITR presented evidence that the environment industry was well served and did not identify this as an impediment to industry growth. Representatives from ITR stated that:

> … innovation is a large part of our department's focus. From my experience, environment and renewable energy related technologies have been getting a good hearing or getting their fair share, if you like, of the program money going out through innovation programs.[15]

5.35 In addition to the need for a consolidated capability directory, an associated issue is the lack of access to aggregated and verified information on new technology and environmental solutions which have been independently certified or trialled by other companies.

---

13 Submission no. 21, p. 3.

14 *Transcript of Evidence,* p. 4.

15 *Transcript of Evidence,* p. 23.

5.36 The driver for this online database of environmental companies comes from the need for companies to seek tailored responses. The EIDN stated that:

> With a lot of these environmental problems, there is no packaged solution.
>
> Companies in such industries as mining, agriculture and food all have someone in their organisation that is responsible for minimising waste and solving environmental problems. Those people are scratching around to find out what is out there.[16]

5.37 The EIDN commented that it would be useful to have a system that was able to provide solutions more directly, but that there were not the resources to do this. The EIDN stated that at present such requests for assistance are passed onto companies who may or may not be able to provide the most up-to-date- technologies or solutions. However, if there were more resources, the EIDN stated that a more pro-active system could be implemented. They went on to note that in the environmental goods and services sector:

> We do need more focus. Perhaps the Barton Group will look to their outcomes. It does need more of a focal point. Obviously, we are trying to help provide that by providing a cohesive package of such information systems as our directories, together with activities such as marketing offshore. Yes, it is about trying to get a bit more cohesion there.[17]

5.38 The EIDN identified one of the major impediments to local and international uptake of Australian environmental goods and services as 'difficulties experienced by potential purchasers in identifying those goods/services and evaluating vendors'.[18] They noted that 'growth of the overall industry and individual enterprises has also been inhibited by limited opportunities for exchange of information regarding technology applications'.[19]

16 *Transcript of Evidence*, pp. 12-13.

17 *Transcript of Evidence*, pp. 12-13.

18 Submission no. 4, p. 2.

19 Submission no. 4, p. 2.

5.39 A central function of the EIDN is to facilitate networking across the environmental goods and service sector. Key to this function are a number of technology diffusion workshops and seminars run across Australia on innovation developments and trade opportunities, and also the development and maintenance of the Environment Directory database. This is a free online resource giving information on Australian environment businesses to domestic and international clients.

5.40 The EIDN, in its submission to the inquiry, identified 'access by overseas markets to aggregated information about Australian environmental goods and services' as one of three key needs.[20] The submission also noted that opportunities for increased competitiveness in the Australian environment sector exist through 'mechanisms that enable overseas buyers and agents to readily identify what Australia (and individual businesses) have to offer'.[21]

5.41 In its submission, the EIDN noted that the Environment Directory initiative:

- Underpins the Barton Group Task Force on Clusters, Partnerships and Networks to better link suppliers and buyers of environmental goods and services; and
- Links business with research bodies and government agencies across Australia, in contrast to guides or other resources that have a State-only coverage.[22]

5.42 The EIDN gave evidence in their submission that the online Environment Directory is used by a range of organisations, agencies and individuals and that it has resulted in significant business for Australian enterprises in local and overseas markets. Data on business opportunities which may have been facilitated by the Centre's directory are not available. However the Committee believes that, if the directory is functioning as a vital promotional tool for Australian environmental industries in both domestic and international markets, then credibility is a crucial issue.

20 Submission no. 4, p. 7.

21 Submission no. 4, p. 6.

22 Submission no. 4, p. 3.

5.43 While no filters are in place on the Directory and it operates on the 'caveat emptor' principle, there is a risk that damage is done to the broader environmental sector in Australia if disreputable businesses or unproven technologies are accessed through this site. It is the view of the Committee that the work done by the EIDN in establishing the directory is commendable, however an expansion or aggregation of the directories which are in operation should address issues of verification and credibility if these directories are to become an important tool in marketing and supplying environmental goods and services.

5.44 The EIA gave evidence to the Committee regarding the need for access to a consolidated directory of suppliers, and the importance of ensuring that the products and services listed on such a site have been verified and can deliver outcomes to purchasers. The EIA acknowledged that:

> … the more information available to people, the better. The more information you have, the better your outcome or decision is going to be. But in doing that, supplying that data to them, there needs to be a verification of that data, of the product and accountability for it. So if you are going to list it, it should go through a rigorous review for it to actually be listed. I can open up my directory and see these three suppliers. I can be guaranteed that they will do what they say they will do. We have had periods in the environment game where such and such site went and bought this processor because they were told this is what would happen, yet they still have the same environmental outcome today. They have been put off doing anything now because they went down the wrong path, unfortunately. I think there is room for it. As an export industry, that is valued. But we have to have that verification of those services and products.[23]

5.45 Recognising that off the shelf environmental technologies, if available, require tailoring to the particularities of a company's situation and needs, connecting companies with environmental industries able to develop these solutions is an excellent tool for promoting industry and environmental outcomes. It is also an excellent mechanism for promoting Australian expertise into key developing markets, such as the Asia-Pacific region, which represent real opportunities for the industry.

23 *Transcript of Evidence*, p. 50.

5.46 However, the future success of these ventures and the reputation of Australian technologies, innovation and capability could also be compromised. An additional problem currently experienced is that information is spread across a variety of databases and agencies, which leads to duplication, inefficiencies and spreads thin resources across a wide scope of directories. The Committee is of the view that a centralised portal is essential for sector development. This centralised site should also incorporate some filtering mechanisms that can give credence to the companies and technologies accessed through the site.

5.47 The EIDN gave some evidence to the Committee that this was an issue yet to be addressed within the industry. The EIDN acknowledged a basic matrix took place but no comprehensive evaluation or filtering system was undertaken before companies were listed on the Environment Directory.[24] The EIDN considered that its role in establishing and maintaining the directory was to circulate rather than verify the information:

> That [verification] has been an issue that we have grappled with for many years. We cannot do much, other than take a fairly careful view about it. We have basic filters. The point is that, if somebody is promoting a technology, we simply act as a conduit to that, and that technology or system has to stand or fall because it is very variable.[25]

5.48 One reason for this, the EIDN explained to the Committee, is that many technologies are situational specific and specialist research facilities are required to test and verify new innovations. The EIDN gave evidence that:

> The expertise required for in-depth evaluation of individual products and individual companies, as well as the validation or giving a tick of approval, is a whole new ball game.[26]

5.49 While recognising the diversity and unique nature of many environmental solutions, the Committee also sees scope for a verification system. In conjunction with a consolidated online capability database, the site could provide aggregated information on current innovations. This would assist in disseminating vital information, particularly to SMEs who may lack the resources to fully investigate and trial new environmental technologies otherwise.

---

24 *Transcript of Evidence,* p. 6.

25 *Transcript of Evidence,* p. 6.

26 *Transcript of Evidence,* p. 6.

5.50 However, the need for a site of verified technologies and / or a verification program is not a view shared by DEH. A representative from DEH gave evidence that they considered that the existing Trade Practices framework is sufficient to prevent false claims being made regarding environmental solutions:

> I think you heard evidence at a previous hearing from somebody who was suggesting that there may be some need for formal verification, particularly government verification, of the claims made about environmental technologies. This is certainly an area that we have been keeping an eye on. We are very aware of the fact that, in marketing into the Asia-Pacific region, North American companies are able to point to verification of their technologies. We do not see that as such a huge issue for Australian businesses. We are not aware of any examples where Australian companies have not been listened to or have failed to get a contract because they could not point to some sort of government stamp on their technology. Within Australia, the question of environmental technology claims is reasonably adequately catered for by existing provisions in the Trade Practices Act. It is illegal to make false claims about a product you are trying to sell, regardless of what it is.[27]

5.51 However the Committee sees that the purpose of a technology verification program is substantially broader and would serve a more direct national interest than is currently addressed through the Trade Practices Act. The current regime may be 'reasonably adequate' to protect against false claims, as DEH suggests, but its role is to provide purchasers with a legal remedy when a product does not perform as claimed. This type of protection is different from the function of a technology verification program.

5.52 A technology verification program would provide a clear recognition of technologies and their applications, and would promote these technologies and the use of innovative environmental solutions. Given that market awareness is a key issue in the uptake of new environmental innovations and technologies, such a program would assist purchasers to make informed choices and to ascertain not just the available technology, but the most appropriate and advanced technology. Such a program may also assist the Australian environment industry to enter international markets.

27 *Transcript of Evidence,* p. 62.

5.53 ITR gave evidence to the Committee regarding the lack of technology verification and the difficulties for purchasers in Australia. ITR referred to programs run in Canada and the United States which provide independent verification of environmental technologies:

> … other than in terms of purchasing the equipment and you meeting the existing standards, there is no other verification imposed on people coming into the [Australian] industry. It is typical … in a lot of the organisations which purchase environmental equipment to have panels of accredited suppliers and so on. The difficulty is that sometimes that works against innovation ...
>
> Typically in Australia you would go to a university or a laboratory or CSIRO or someone like that and they would verify the equipment. You would get a certificate which says 'This technology works' to whatever standard. What these programs provide is a government seal of authority to that and some government funding to that. In the case of the Canadian [environmental technology verification] program, it is heavily subsidised, with just one price for all verifications. In the US EPA it is a little different and a little more comprehensive. They have comparative verifications.[28]

5.54 At a public hearing, EBA noted that a technology verification program provided environmental credibility to products purchased by industry, in a similar manner to the assurances that labelling information provides to consumers:

> … we have been very strongly pushing the concept of environmental technology verification. It runs in Canada and in the United States. With the advent of Internet marketing, it has become even more important because it is very easy for any Tom, Dick or Harry to say, 'I've got the new beaut technology. Trust me: it's fantastic.' There are snake oil salesmen around. There are snake oil salesmen in my industry just as much as in anybody else's industry ... But, if you have a system that really peer-reviews the technology and gives that tick of approval, that can solve that. It is slightly different from eco-labelling, which is more for the consumer product. This is actually about how you rate a sewerage treatment plant or a waste management plant.[29]

28 *Transcript of Evidence,* p. 29.

29 *Transcript of Evidence,* p. 176.

5.55 After consideration of the evidence put before it, and the potential environmental and economic benefits, the Committee recommends the development of a centralised portal which provides:

- Links to vetted Australian businesses supplying environmental goods and services; and
- Aggregated information on new environmental technologies and innovations, including perhaps testimonials from larger corporations who have trialled these technologies.

5.56 In addition to this centralised portal, the Committee sees value in further investigation of an environmental verification program, similar to those operating in countries such as the United Kingdom and Canada.

5.57 The Committee is impressed by the work of the capability directories, the success of the environment industry in developing a strategic growth plan through the Action Agenda, and the initiatives in terms of export strategies and innovation which are underway. However, the Committee is of the view that any promotion of Australian environment industry capability could result in unintended harm to the industry reputation, the future uptake of environmental technologies and potentially the environment if these directories do not provide credible and verified information. The Committee considers that the lack of filters on current databases put at risk industry credibility and future environmental outcomes.

5.58 The Committee also considers that ensuring the credibility of directory listings is vital to promoting the business uptake of ESD. The credibility of listings is particularly important for SMEs which often lack the resources to trial new technologies or to check claims of improved efficiencies or environmental outcomes. For example, the trialling of electrical energy efficiency technology at Coca-Cola Amatil (at the expense of the service provider and with demonstrable savings to the company).

5.59 The Committee strongly endorses the development of a program to verify environmental technologies and to ensure that the credibility of environment industries, both domestically and internationally is maintained. There are a range of technology verification and best available techniques programs operating around the world and it is the conclusion of the Committee that, if Australia is to make possible ESD for business, then a similar national program should be established.

Recommendation 7

5.60 **The Committee recommends that:**

- **The Australian Government Departments of Environment and Heritage and Industry, Tourism and Resources work with industry groups, such as the Environment Industry Development Network, to establish a single online consolidated database of Australian environmental goods and services. The database should**
  - ⇒ **include information on new technologies, tailored solutions and environmental innovations; and**
  - ⇒ **incorporate appropriate filters (such as listing referees, examples of usage or warranty information) to verify the information listed; and**
- **The Australian Government Department of Industry Tourism and Resources establish an environmental technology verification program in Australia, to be run in conjunction with the online database of environmental goods and services.**

Voluntary Standards and Environmental Labelling

5.61 Voluntary standards and environmental labelling provide information to potential clients and consumers on production processes and the composition of particular goods. Labelling and standards can provide valuable market differentiation, especially in a climate of increased focus on environmental outcomes and corporate reputation.

Internationally Recognised Environmental Standards

5.62 The Committee was interested to hear evidence from environmental consultants on the application of voluntary international environmental standards and the efficacy of these standards in measuring and rewarding environmental outcomes.

5.63 The most significant and internationally recognised environmental standards are the ISO 14000 series from the ISO. The ISO is a federation of national standards bodies from 100 countries, including Standards Australia.

5.64 The ISO 14000 series relates to the environmental management of goods and services, and cover areas such as:

- Environmental management system certification;
- Environmental performance evaluation;
- Environmental auditing;
- Life cycle assessments; and
- Environmental labelling.

5.65 As of the 31 March 2003, 728 organisations in Australia have been certified and so currently have a fully accredited environmental management system in place.[30]

5.66 ISO 14000 standards are a measure of company environmental performance and production processes, rather than an environmental measure of the product. The Committee notes that, under ISO standards, it is possible to produce an 'environmentally unfriendly' product (that is, one which is polluting and or inefficient). However the environmental impact of the production processes would have been taken into account and improvements made.

5.67 ISO accreditation measures a company against its past performance as a way of encouraging continuous improvement. Each organisation is reassessed and reviewed approximately every three years. The approach of continuous improvement is sound in that it continues to lift the benchmark and so encourages further efficiencies and gains.

5.68 However the Committee was intrigued to hear that no baseline benchmark applies to ISO accreditation; a company has only to improve its environmental performance from the last assessment. The Committee expresses its concern that this lack of initial baseline benchmark undermines the meaningfulness of ISO accreditation. In the most extreme case, it would appear that ISO 14000 accreditation could mean that a company was 'not quite as appalling' in its environmental performance as it had been in preceding years.

30 www.jas-anz.com.au, last accessed 12 June 2003

5.69 Despite this anomaly, the Committee supports the ISO 14000 series and encourages companies to make use of the standards as tools to promote better management, market differentiation and ultimately to minimise environmental impact.

5.70 To strengthen the value of ISO 14000 accreditation, the Committee believes that it is essential for minimum benchmark performances to be established for all areas of the ISO 14000 standards. These are international standards and the Committee recommends that Australia take the lead in promoting a more meaningful system of ISO environmental accreditation.

Recommendation 8

5.71 **The Committee recommends that Standards Australia pursue with the International Standards Association the establishment of minimum benchmark standards across all areas of the ISO 14000 series.**

Impact of Environmental Concerns on Consumer Purchasing

5.72 An international survey undertaken in 2000 by the Australian *Environmental Monitor* found that, in relation to environmental concerns, 'Australians were already committed and willing to use their spending power to show conviction for a better environment'.[31] The survey also found that:

> 78 per cent of Australians were willing to pay 10 per cent more for green cleaning products; 39 per cent were willing to pay 10 per cent more for green electricity and 61 per cent were avoiding damaging product brands when the information was available.[32]

31 *Australian Environment Review* (January 2002), Vol 17, no. 1, p. 3.

32 *Australian Environment Review* (January 2002), Vol 17, no. 1, p. 3.

5.73 However, the ABS publication *Environment by Numbers*, released in February 2002, found that Australians have become less concerned about environmental issues. The ABS research also demonstrated that good environmental performance often does not extend to purchasing:

> In 1992, three out of four Australians expressed concern, but this fell to 62 per cent in 2001. The decline was most pronounced among young Australian aged 18 – 24; only 57 per cent expressed concern compared to 79 per cent in 1992.
>
> Fewer than one in ten people expressing concern about environmental problems registered their concern through action, such as writing letter, telephoning or signing a petition. Of the 8 per cent that did take action, 37 per cent signed a petition, 33 per cent wrote letters, 27 per cent used the telephone and 6 per cent participated in a demonstration.
>
> Seven per cent of Australians stated that they belonged to an environmental group. In 2001, 20 per cent of Australians donated time or money to environmental protection. In 1992 the figure was over 28 per cent.[33]

5.74 Despite these figures of declining concern over environmental issues, the ABS found evidence of a growing involvement in recycling by Australian households. Household recycling has increased with around 85 per cent of people recycling at least one item of household waste, increasing to 97 per cent of households in 2000 practising at least some recycling. However, only 7 per cent of households did so for all recyclable items.

5.75 It appears that Australian consumers have embraced recycling to a large extent and express a willingness to buy environmentally friendly goods. However, when it comes to purchasing decisions, the ABS data suggests consumer commitment to environmental considerations remains low. A possible reason for this disparity is a lack of information on which to distinguish environmentally friendly goods.

33 ABS (2002), *Environment by Numbers*, cat no. 4617.0

5.76 Household use of environmentally friendly products (EFPs) has been measured by the ABS. In 2001, the most widely used form of EFPs in Australian households was refillable containers (64.5 per cent), followed by recyclable paper (69.8 per cent). These figures are higher than 1992 levels. However, both figures have also declined from 1998 levels of EFP usage. Similarly, the use of phosphate-free cleaning products was 37.7 per cent in 1992, increasing to 42.5 per cent in 1998 and then declining to 39.5 per cent in 2001.

5.77 The only EFP usage not to decline from 1998 levels is the purchasing of organically grown fruit and vegetables which increased marginally from 39.8 per cent in 1998 to 41.8 per cent in 2001.

5.78 The ABS cites the reasons for households not using EFPs as follows:

> Cost was the single most important factor which prevented households from using EFPs. Over a third of households (37 per cent) which did not use them believed that these products were more expensive to buy. About 4 per cent were not convinced of the environmental benefits.[34]

5.79 While evidence regarding consumer commitment to purchasing environmentally friendly goods remains contradictory, the Committee considers that product differentiation in the marketplace (based on environmental impact and performance) should be encouraged.

Ecolabelling

5.80 An 'ecolabel' identifies preferred products, based on environmental impacts and life cycle considerations. An ecolabel is generally awarded by an impartial third party to products or services which are found to meet established environmental leadership criteria particular to each product category.[35]

34 ABS (2002), *Environment by Numbers*, cat no. 4617.0

35 Global Ecolabelling Network (October 1999), *The Ecolabelling Guide*, Geneva, p. 1.

5.81 There are many different environmental performance labels and declarations being used around the world. It is important to note that 'ecolabelling' is:

> … only one type of environmental [performance] labelling, and refers specifically to the provision of information to consumers about the relative environmental quality of a product service.[36]

5.82 Ecolabelling assessment and certification is structured in accordance with the International Standard ISO 14024: *Environmental labels and Declarations – General Principles*. The environmental labelling programs governed by this standard are voluntary and can be operated by public or private agencies. These programs can also be national, regional or international in nature.[37]

5.83 Under the Standard ISO 14024 there are three types of environmental labelling programs:

- ISO 14024 – Type 1 – defined as a voluntary, multiple criteria based third party programme that awards a license which authorises the use of environmental labels on products indicating overall environmental preferability of a product within a particular product category based on life-cycle considerations;
- ISO 14021 – Type 2 – are self declared labels where a manufacturer will declare their own environmental performance through a declared environmental verification process; and
- ISO 14025 – Type 3 – defined as report card label and designed to specifically give detailed information on environmental impacts of products or services to consumers.[38]

5.84 The main benefits of Type 1 and Type 3 eco-labels are that they provide independently assessed ecological information about a product or service. The ecolabel then serves as a signpost to independently inform the consumer about the product or service at the point of sale, which is a crucial stage in the decision-making process of the consumer.

---

36 Global Ecolabelling Network (October 1999), *The Ecolabelling Guide*, Geneva,, p. 1.

37 Standards Australia, www.standards.com.au, last accessed June 2003.

38 Johnson, P. and Lundie, S. (2002), *Ecolabelling Standards – Developments Overseas and the Good Environmental Choice Label Australia*, National Conference Paper, p. 4.

5.85 These types of ecolabelling are based on the premise that informed consumers lead to changed purchasing and consumption decisions.

5.86 The overall goal of the ISO standard for labels and declarations is to improve product knowledge and as a consequence influence market pressures. *The Ecolabelling Guide,* produced in Australia by the Global Ecolabelling Network (GEN) based in Geneva, describes the purpose of ISO ecolabelling standards as:

> … through communication of verifiable and accurate information, that is not misleading, on environmental aspects of products and services, to encourage the demand for and supply of those products and services that cause less stress on the environment, thereby stimulating the potential for market-driven continuous environmental improvement.[39]

International developments

5.87 The world's first ecolabelling was initiated by Germany in 1978 with the release of the 'Blue Angel' program. Canada, Japan and the United States established ecolabelling schemes in the late 1980s. Many more were launched in the early 1990s. It is now estimated that over thirty countries worldwide have either full life cycle or multi environmental criteria labelling programs. Some of these ecolabelling schemes are government supported programs and others are publicly or privately run schemes.

39 Global Ecolabelling Network (October 1999), The Ecolabelling Guide, Geneva, p.1.

5.88 The Table following below provides a small sample of overseas environmental labelling programs and the number of products certified under these programs.

Table 5.1 International Environmental Labelling Programs in 2001.

NAME	ORGANISATION	No. OF VALID CRITERIA	No. OF PRODUCTS CERTIFIED	NEW CRITERIA
Environmental Choice (Canada)	TerraChoice Environmental Services, Inc., Canada	125	3 000	Compostable paper bags, metered dose inhalers, personal care products, renewable low impact electricity (under development)
German Blue Angel Scheme (Germany)	Environmental Protection agency	85	2 981	39 criteria under development; new criteria soda makers, wet cleaning for textiles
Eco Mark (Japan)	Japan Environment Association	68	4 235	Personal computers, waste disposer; under development: returnable containers, wrapping material, publications, printers and fertiliser.
Korea Environmental Labelling Program (Korea)	Korea Environmental Labelling Association	62	170	Notebook computers, shower heads, water meters, dishwashers, detergent for dishwashers, electricity wire, lead-free sinkers, ballast for sodium vapour lamps, ballast for metal halide lamps, diesel engine oil, 2-stroke-cycle engine oil

Source Johnson, P and Lundie, S.(2002), Ecolabelling Standards – Developments Overseas and the Good Environmental Choice Label Australia, National Conference paper, p. 6.

5.89 Environmental labelling programs have demonstrated that they can deliver a range of results both in community supported industry improvements and as a means of market transparency.

5.90 The OECD provides the following example of how an environmental labelling program has influenced the market in Scandinavian grocery stores:

> At the end of 1995, the ICA retail chain programme, which commenced in 1994, had 259 stores that fulfilled the eco-label's criteria. The criteria included such requirements as, stocking at least 85 per cent of dishwashing liquids and 90 per cent of laundry detergents with a Swedish environmental choice or the Nordic Swan eco-label, and carrying of a broad range of KRAV labelled (ecologically grown) products. The ICA Annual Report for 1995 reported that 'Sales of eco-labelled products continued to increase and in certain product group sales of these products as a percentage of all sales in this group have reached 80-90 per cent'.[40]

5.91 These Swedish examples serve to demonstrate the ability of Type 1 eco-labels to increase the market share of 'business to business' sales, as well as the traditional retail sales of products.[41]

Australian Ecolabelling program

5.92 The Committee was briefed by the Australian Environmental Labelling Association (AELA) on the implementation of a national ecolabelling program in Australia. The AELA is an independent non-profit environmental research and ecolabel certification organisation. Its objectives are to:

- Manage and deliver a whole-of-market environmental labelling program, conforming to ISO 14024; and
- Generate greater interest, knowledge and capacity within Australia for sustainable consumption.

5.93 The issue of ecolabelling has been considered by DEH, but no Australian Government policy or program has been developed. Currently there is a small independently run program, called the Australian Ecolabel Program, concerning a limited range of goods and administered by AELA.

---

40 Johnson, P. and Lundie, S. (2002), *Ecolabelling Standards – Developments Overseas and the Good Environmental Choice Label Australia*, National Conference paper, p. 7.

41 Johnson, P. and Lundie, S. (2002), *Ecolabelling Standards – Developments Overseas and the Good Environmental Choice Label Australia*, National Conference paper, p. 8.

5.94 This program provides a national ecolabel for Australia under the name the 'Good Environmental Choice'. AELA compares its ecolabel program to other established overseas programs, such as the Nordic Swan, Environmental Choice Canada and New Zealand and the Japan Eco-Mark.

5.95 AELA identify the purpose and benefits of ecolabelling as follows:

- Environmental labels and declarations provide information typically at the point of sale;
- Purchasers and potential purchasers can use this information in choosing the products or services they desire based on environmental, as well as other considerations; and
- The provider of the product or service hopes the environmental label or declaration will be effective in influencing the purchasing decision in favour of its product or service.[42]

5.96 AELA's ecolabelling assessment uses a life cycle analysis to gauge the environmental footprint of a particular good. A life cycle assessment identifies environmental issues at all stages of a product's 'life' – from design planning through to commissioning, production, end-use operation and disposal. This ensures that environmental burdens are not hidden between different product stages. For example, it ensures that clean air during one stage of production is not coming at the cost of releasing polluted water into the ocean during another stage of production.[43]

5.97 AELA is also affiliated with GEN, the non-profit association of ecolabelling organisations from around the world. Founded in 1994, GEN aims to improve, promote, and develop the ecolabelling of products and services. AELA argue that 'there is general consensus among members of the Global Ecolabelling Network that a full life cycle approach is required for credible environmental labelling'.[44]

42 Private briefing by AELA to the House of Representatives Committee on Environment and Heritage, 27 May 2003.

43 *Australian Environment Review* (January 2002), Vol. 17, No. 1,, p. 4.

44 Johnson, P. *The use of life cycle analysis in environmental labelling standards*, p. 2.

5.98 Life cycle assessment is undoubtedly a rigorous program to certify environmental impact. However, this rigour comes at a financial and administrative cost. There continues to be ongoing international and national debate as to whether a full life cycle assessment is necessary for the credibility and general acceptance by consumers of an ecolabelling program.

Role of Government

5.99 The AELA ecolabel program is currently independent of Australian Government financial support or formal endorsement. The AELA strongly advocate that the ecolabel program should continue to be administered by an independent organisation. AELA also clearly considers itself the most appropriate organisation to continue to implement and expand an ecolabel program in Australia.

5.100 AELA's ecolabel program has received support from several notable industry, scientific and academic groups in Australia. The program's development guidelines have also been registered with the ISO.

5.101 In a private briefing to the Committee, the AELA recommended that the Australian Government 'develop a comprehensive policy for Australia with regard to credible environmental labelling based on the international standards'.[45]

5.102 The Committee is aware that AELA liaised with all three levels of government during the establishment of the ecolabel program. However, not all Australian Government departments fully agree with the particular approach of AELA's program.

5.103 The Committee agrees that there is a role for the Australian Government in establishing a national policy in regard to environmental labelling. A credible labelling program would also enable recognition to be given to those companies whose products clearly display environmental leadership. Consumer purchasing decisions could be harnessed to exert greater market pressures if differentiation of products, based on environmental consideration, was available at the point of sale.

45 Private briefing by AELA to the House of Representatives Committee on Environment and Heritage, 27 May 2003.

5.104 Comparable environmental labelling schemes are already in operation across Australia. For example, energy efficiency labelling is required for a wide range of household electrical appliances and car manufacturers are now required to display the average carbon dioxide emissions of new vehicles. A consistent national environmental labelling program is required for all consumer goods.

5.105 From the evidence presented, the Committee has formed no view as to whether an environmental labelling program should be independently administered or implemented under the auspices of an Australian Government department or agency. However, given the many environmental labelling programs operating internationally and their proven effectiveness in influencing consumer purchasing decisions and rewarding companies for good environmental performance, it seems astonishing that more has not happened in Australia.

5.106 Further, two key drivers of sustainability are achieving market differentiation and increased expectations for industries to be environmentally accountable. It is reasonable to expect that Australia should have in place the frameworks to enable these ESD drivers to operate effectively in the marketplace.

5.107 Accordingly, the Committee recommends that the Australian Government articulate a national policy endorsing the concept of environmental labelling across as wide a range of goods as feasible.

5.108 The Committee does not have a view on the most suitable organisation to administer a national environmental labelling program. The priority is to get established a nationally recognised label which is credible, consistent and meaningful to both producers and consumers.

5.109 The Committee considers that this policy should outline framework objectives and identify future programs which would, in time, see a range of appropriate environmental labels applying to all consumer goods and consumables.

5.110 Australian industries displaying leadership in environmental performance should be rewarded in the marketplace and, similarly, consumers should be able to exercise environmental choice in the marketplace. The effectiveness of environmental labelling in achieving this is dependent on a simple and easily identified standard logo which has meaning to the consumer. The Committee recommends that an awareness campaign be run to inform consumers about environmental labelling.

Recommendation 9

5.111 **The Committee recommends that the Australian Government:**

- **Develop a national policy for the environmental labelling of consumer goods;**
- **Ensure the establishment of a national environmental labelling program that is widely recognised, consistent and meaningful to both producers and consumers; and**
- **Undertake a national campaign to raise awareness of environmental labelling.**