

Corporate Knights

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Originally published April 22, 2009 by Corporate Knights Magazine (online)

Orange juice: 140 calories, 0g of fat, 1.7kg of carbon?

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Imagine this: you're in the grocery store, trying to decide between two brands of orange juice. You check the label. Calories are about the same. No fat in either of them. Differences in sugar are negligible. But wait a second! There's a huge discrepancy between the two brands in carbon emissions. Shocked, you immediately put the box with fewer carbon emissions into your basket.

It seems that such a scenario is not so farfetched. In January 2009, PepsiCo announced that it would be introducing the carbon label into North America through its Tropicana brand. The report showed that each 1.89L carton emitted 1.7kg of carbon. In the absence of any context, what does this mean to consumers? And what does this mean to the businessperson?

Carbon labeling: a primer

The carbon label is one of several decades of product ecolabels – for example, EnergyStar, EcoLogo, and Marine Stewardship Council. These ecolabels were spurred by greater demands from consumers to know more about the health, environmental and social implications of the products they purchased.

The carbon label was not intentionally a consumer focused initiative. It was derived from the PAS 2050 standard, developed by the Carbon Trust and the Department of Environment, Food, and Rural Affairs (DEFRA) in the UK. It was an offshoot of a 2006 pilot program to help companies identify and reduce direct and indirect carbon emissions in their supply chains, and includes raw material extraction, manufacturing, distribution and retail, consumer use, disposal and recycling. In theory, the Carbon Trust aimed to have these carbon amounts on products add up to a projected guideline daily amount per consumer, much like calories on nutrition labels.

PepsiCo was the first company to pilot the carbon label in the UK under its Walkers Crisps franchise in 2007, disclosing on a 34.5g bag of Cheese and Onion crisps that the product emitted 75g of carbon. Other companies in the UK, such as Boots, Coors, Danone, Cadbury, several banks and clothing companies, have decided to carbon label their products too.

Why is a carbon label good?

The carbon label, as an ecolabel, has several benefits for consumers. First of all, imagine being able to take action on your carbon footprint as you do in your dietary choices. The label puts the power into the consumer's hands by educating and facilitating decision making for less carbon-intensive choices. The carbon label also raises awareness and understanding of climate change, providing the first step in supporting initiatives to mitigate it.

For businesses, placing a carbon label on its products helps in several ways. In the absence of a mandatory carbon labeling scheme, there are obvious reputational benefits to having a carbon label on a business' products. Managed under the Carbon Trust, the carbon label holds the product manufacturer accountable to reducing carbon emissions over a specified duration of time and therefore shows credibility and commitment to the environment. If the company does not meet reduction targets, it loses the label.

Performing the actual carbon footprinting exercise is also very helpful to companies. For example, PepsiCo found that 60% of the carbon emissions of its Tropicana Orange Juice were in the raw materials phase. Meanwhile, Halifax, a subsidiary of UK bank HBOS, found that the majority of its emissions in one of its accounts came from paper communications and its help desk. To these companies, the exercise revealed the real sources and drivers of emissions, leading to more effective carbon reduction strategies.

The Carbon Trust, in a report titled Product carbon footprinting: the new business opportunity, found that the process also "identified high-impact cost-saving opportunities across the supply chain; built stronger, more collaborative relationships with suppliers; and developed better management practices in general" for participating companies. The exercise also readies companies in what might become a mandatory commitment to sustainability, helps to manage risk, and facilitates preliminary steps into Carbon Disclosure Project reporting.

Carbon conundrum in companies?

On the other hand, carbon labels do present several challenges. The label only looks at CO₂ and equivalent emissions. Scott McDougall, president at Terrachoice Marketing in Ottawa and administrator of the EcoLogo, says, "The carbon label addresses only one part of a product's profile and does not show all of its life cycle impacts. It ignores toxics, for example, and impacts on water, air, and health. I favour life cycle based labeling that addresses carbon as part of the whole product footprint."

The carbon label could also be seen as misleading, as it does not include the emissions associated with several life cycle stages, such as in-store and in-transit emissions. It makes sense not to include these emissions, given the potential for extreme variation. However, in product categories where items have to be refrigerated or need to travel long distances, this is a large oversight.

Representing carbon emissions as a defensible static number is also a challenge, particularly with variability in the supply chain. For example, if one were to suddenly change the type of fertilizer used or move to a different manufacturing process, this would change the emissions measurement. It is likely why PepsiCo decided against placing a specific number on its

Tropicana packages as it did with its Walkers Crisps. To address the transitory nature of carbon measurements, a Toronto-based non-profit named CarbonCounted developed a real time tool that allows emissions to be entered by each party along the supply chain, allowing for greater precision. However, the challenge of representing this number in-store still presents resource constraints.

Tough economic times present a challenge for businesses to use the carbon label, particularly when they are not a necessity and there is a considerable licensing fee in order to display a verified, PAS 2050-based carbon label.

Consumer confusion

From the consumer standpoint, there are a number of challenges to carbon labeling. First of all, it is difficult to say whether or not Canadian consumers care or would want to act upon this information – UK consumers were fond of the idea of carbon labeling, but it is uncertain if this would translate across the pond. After all, “green” is often a secondary selling point to cost or convenience. An education effort is also needed for consumers to understand the premise of carbon labeling.

Since the Carbon Trust’s label, several other carbon labels have cropped up that do not require endorsement from the Carbon Trust, nor do they use the PAS 2050 standard. This creates confusion among consumers.

While a carbon label might not be perfect, there is utility in understanding the information behind it. Conveying the sustainability profile of a product is very complex, both to measure and to communicate, as Tesco acknowledges. Neil Campbell, president of Tropicana North America, summed it up most succinctly when he said to the New York Times recently, “You can end up doing nothing if you let that (perfection) stop you.” In the absence of perfection, the carbon label might just be the best available alternative.

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Carbon labeling in practice: Tesco

Tesco, a grocery retailer headquartered in the UK, launched the carbon label on 20 private label products in April 2008 and hopes to carbon label all of the products that it sells in its stores. To educate consumers, Tesco undertook several initiatives. In-store, Tesco provided information booklets in several stores and placed informational shelf signage for carbon labeled products. Online, Tesco provided information on its ‘Greener Living’ website. The company has started seeing some positive results. As David North, Community and Government Director at Tesco, says:

“Two months after the launch, we carried out a survey to assess customer understanding of the term ‘carbon footprint’, and over 60% of customers correctly understood the term.” Tesco is still determining sales impacts and working with the Sustainable Consumption Institute at Manchester University to determine the carbon label’s impacts on purchasing decisions in

relation to other factors. The UK example at Tesco serves as a barometer of how a carbon label might perform in Canada.