

Ecolabels and Green Purchasing



Forestry Innovation Investment

MARCH 2013



ECOLABELS INFORM PURCHASING

Ecolabels are typically stamps, labels, certifications, or seals of approval that are designed to provide differentiation in the market between products and to highlight those that are produced with consideration toward reducing environmental impacts. Ecolabels are traditionally aimed at consumers but are also now important in business-to-business and business-to-government

purchasing decisions. There are approximately 500 ecolabels worldwide and these continue to evolve due to demand for science-based, third-party reviewed information. As demand for transparency and environmental impact information continues to grow, ecolabels are expected to remain an important purchasing tool in today's global market.

GREENWASHING

"The act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service".

The seven sins of greenwashing are described by Terrachoice as:

- 1) The Hidden Trade Off;
- 2) No Proof;
- 3) Vagueness;
- 4) Irrelevance;
- 5) Lesser of Two Evils;
- 6) False Claims; and
- 7) False Labels.

The publishing of Terrachoice's Greenwashing Report, which was based on consumer research of 2,219 products in North America, was cited as a catalyst for the U.S. Federal Trade Commission (FTC) and Competition Bureau of Canada to begin overhauling their environmental consumer protection activities. In the U.S., this resulted in release of the "Green Guides" (updated October 2012) that provide specific guidance on terms used in environmental marketing. FTC urges that claims must be clear, specific and substantiated. With regard to ecolabels, FTC notes that third-party certification does not remove the marketer's obligation to substantiate claims.

Forest certification can be used in conjunction with Ecolabels, LCA, carbon reporting, and sustainability reporting to meet evolving green purchasing trends.

ECOLABELS, ATTRIBUTES, AND FOREST CERTIFICATION

Credible ecolabels tell consumers or end users what attributes of products are being recognized by the organization issuing the label, such as carbon emissions, energy-efficient or indoor household contaminants, or a commitment to sustainability.

An ecolabel may focus on one attribute, such as reducing water consumption, or multiple attributes throughout a product's life cycle, such as global climate (carbon footprint), energy consumption, material content, human toxicity, and many others. These multi-attribute standards often include fibre certified to a forest certification standard as one of many criteria within the standard. Certification to ecolabel standards allows

a company to use the mark or logo (the ecolabel) associated with the standard in its product marketing.



EcoLogo™ is an example of a multi-attribute international ecolabel with more than 10,000 diverse certified products and services. Forest certification and criteria related to fibre source are addressed within EcoLogo's paper standard.

LIFE CYCLE ASSESSMENT AND ENVIRONMENTAL PRODUCT DECLARATIONS

Life Cycle Assessment (LCA) is the scientific quantification of potential environmental impacts of products or services throughout a product's life cycle. It provides a basis for comparing environmental performance and substantiating marketing claims. It measures the material and energy flows (input/output) to and from nature over the lifetime of a product or service. The potential impact of those flows on resources, ecosystems and human health are also assessed as part of an LCA study.

An environmental product declaration (EPD) can be likened to the nutritional label on food packages, it simply states

data without a judgment on the attributes. The International Organization for Standardization (ISO) provides administrative and process guidance for the creation and use of environmental labels and declarations. Type III declarations, as described in ISO 14025, are EPDs and considered the most credible because they address multiple impacts derived from LCA reports and are also independently reviewed. The EPD concept is moving into the mainstream and is considered by some to be a potential non-tariff barrier to trade as EPDs begin to be required by governments, particularly in Europe —where there are already hundreds of EPDs on construction products— and Asia.

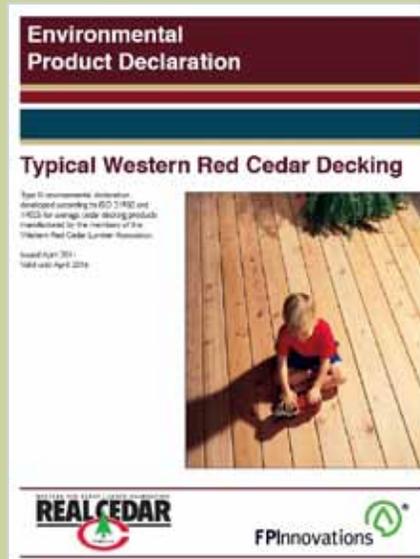


Typically, LCA reports on environmental effects due to a product, building or service.

INDUSTRY, EPDS, AND LCA

Today there is a high demand for full disclosure and transparency of environmental impacts. To meet this demand, the North American forest products industry is producing generic industry EPDs for structural and non-structural wood products. An EPD on western red cedar is currently available, and soon, through efforts of the American Wood Council (AWC), Canadian Wood Council (CWC), and a number of other organizations, more generic EPDs will become available, including softwood lumber, glulam, plywood, OSB, LVL, and I-Joist.

Using these EPDs as a guide, individual manufacturers can also benefit from development of life cycle assessments on their own products, the impact data from which can be used to produce EPDs. These are called manufacturer- or brand-specific EPDs and may in the future have value to companies wanting to describe, in EPD format, the specific environmental footprint of their products. Embarking on this data analysis effort requires a



Western red cedar siding EPD

comprehensive approach where the initial steps include developing an LCA study, which is followed by the preparation and use of a data gathering questionnaire. That data is then used by the expert to develop the full LCA for review.

CLIMATE DECLARATIONS, CARBON FOOTPRINTING, AND SUSTAINABILITY REPORTING

Climate declarations and carbon footprinting are important trends. Climate declarations are product-related and can be derived directly from an LCA or the related EPD. Climate declarations show only the climate impact (or greenhouse gas impacts) of a product or service throughout its life cycle; whereas LCAs and EPDs are much broader in what they cover. An organization's carbon footprint is measured by undertaking a greenhouse gas (GHG) assessment and determining the total for GHG emissions resulting from its operations.

The Carbon Trust Carbon Disclosure Project and Global Reporting Institute (GRI) are examples of organizations that provide resources for learning about carbon measurement and reporting, software tools, and certification. Additionally, the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) has issued the Greenhouse Gas Protocol and the National Council for Air and Stream Improvement, Inc. (NCASI) has developed an industry-specific tool for pulp and paper mills to be used in conjunction with the Protocol.

If developing LCAs and EPDs on products or a carbon footprint of your operations, a company is on its way to meeting a portion of the requirements for overall corporate sustainability reporting (CSR). Sustainability reporting is similar to financial reporting; CSR, however, includes reporting on economic, environmental, social, and governance issues. CSR can help a corporation set goals and measure performance. GRI, mentioned above, provides examples of how comprehensive sustainability reporting is used and referenced. Some standard setting organizations are signaling a desire to encourage specifiers to request third-party certified sustainability reports, more comprehensive documents than EPDs, before choosing a manufacturer or product. Lastly, public companies reporting their sustainability efforts may be eligible for inclusion in socially responsible investment mutual funds or indexes such as the Dow Jones Sustainability Index potentially attracting preferential investment.



VanDusen Botanical Garden, Vancouver, B.C.

DRIVERS FOR ECOLABELS AND LCA

Increasing emphasis on “green” procurement

Many countries and organizations have green procurement policies that recommend purchasing products with specific ecolabels. Others are incorporating life cycle assessment requirements as part of their green purchasing strategies.

European Union: The European Union (EU) has announced plans for what is being called EU-wide life cycle assessments. They plan to pilot and launch a harmonized methodology for environmental footprint calculations in 2013. The EU also has the EU Ecolabel, which is a voluntary scheme established in 1992 to encourage businesses to market products and services that have a reduced impact on the environment. It affects the buying decisions of 340 million consumers in Europe.

Japan: The Ministry of Economy, Trade and Industry (METI) in Japan launched a climate or CO²-centered calculation and labeling program in 2008 and as of 2012 had more than 300 retailers and manufacturers participating.

Canada: Public Works and Government Services Canada (PWGSC) requires all wood products used in building projects to be certified under one of three certification systems that operate in Canada: Canadian Standards Association (CSA) Sustainable Forest Management Standards, Forest Stewardship Council (FSC), or the Sustainable Forestry Initiative (SFI).

United States: The U.S. is trailing behind other nations but does have detailed environmentally preferential purchasing (EPP) policies in place. The U.S. Department of Education encourages U.S. schools to consider forest product certification in their purchases and GSA follows suit with its requirement in Solicitation for Offers document to “*use independently certified forest products*”.

Building codes, standards, and rating systems

Codes that are driving demand for life cycle assessment information on products include the California Green Building Code (CalGreen), the International Green Construction Code (IgCC) for commercial buildings, and the International Code

Council’s ICC 700 – the National Green Building Standard aimed at residential and multi-family construction. Separate from LCA, these standards can also recognize forest products certification as meeting a criteria within the standard.

The predominant green building rating systems also drive demand for forest certification, ecolabels and LCAs. Examples include:

- United Kingdom’s Building Research Establishment Environmental Assessment Methodology (BREEAM) currently encourages the use of EPDs as a guidance tool to help licensed assessors select green building products.
- In the United States, the Green Building Initiative’s Green Globes® is an American National Standard (ANSI/GBI 01-2010), recognizes all North American forest certification programs and incorporates life cycle assessment as a performance path option for evaluation of building assemblies.
- U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED®) rating system is expected to be updated in 2013 to incorporate credit for whole building LCA or products that have been evaluated through LCA studies and/or have industry or manufacturer-specific EPDs.

Private sector purchasing policies

Large private sector companies, like Walmart, Office Depot, and the prominent members of the Outdoor Industry Association (think Nike, REI, and Patagonia) are driving an increased focus on life cycle thinking within their own companies and through their supply chains. Each organization uses environmental assessment tools to assess their own performance as well as the practices of their suppliers. Assessments of Walmart suppliers are being used to inform the company’s purchasing decisions and Office Depot has used its findings to create a Buying Green Guide aimed at consumers and institutional purchasers.

These and many other drivers signal the importance for every company to begin evaluating its own environmental footprint to avoid potential market barriers.

RESOURCES

Ecolabels:

Terrachoice: www.sinsofgreenwashing.org

U.S. Federal Trade Commission *Green Guides*: www.ftc.gov/opa/2012/10/greenguides.shtm

LCA and EPDs:

The Athena Sustainable Materials Institute: www.athenasmi.org/resources/about-lca/lca-in-construction-practice/

Dovetail Partners Inc.: *Environmental Product Declarations (EPDs) are coming. Is your business ready?* <http://www.dovetailinc.org/reportsview/2011/responsible-materials/pjim-bowyerp/environmental-product-declarations-epds-are-coming>

Forestry Innovation Investment: *Environmental Product Declarations* www.bcfii.ca/summary-uploads/Environmental-Product-Declarations-Summary.pdf

naturally:wood: *Building Green and the Benefits of Wood* www.naturallywood.com/sites/default/files/Building-Green-and-Benefits-of-Wood.pdf

naturally:wood: *Third Party Certification in British Columbia* www.naturallywood.com/sites/default/files/Third-Party-Certification.pdf

Climate Declarations, Carbon Footprinting, and Sustainability Reporting:

The Carbon Trust: www.carbontrust.com

Carbon Disclosure Project: www.cdproject.net

Global Reporting Institute (GRI): www.globalreporting.org

World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) www.ghgprotocol.org

National Council for Air and Stream Improvement, Inc. (NCASI): www.ncasi.org

Dow Jones Sustainability Index : www.djindexes.com/sustainability/