

Committee on Trade and Environment

ECO-LABELLING: OVERVIEW OF CURRENT WORK
IN VARIOUS INTERNATIONAL FORA

Note by the Secretariat

I. INTRODUCTION

1. This Note has been prepared in response to the request made by the Committee on Trade and Environment (CTE) for an overview of the work that is currently being undertaken in various international fora in the field of eco-labelling. While the Note presents the work that is ongoing in a number of fora, it also provides an overview of the work they have recently completed, in particular in relation to the market access impact of eco-labelling schemes.¹

2. The following organizations are considered in this Note:

- (i) the Codex Alimentarius Commission;
- (ii) the International Trade Centre (ITC);
- (iii) the Organisation for Economic Co-operation and Development (OECD);
- (iv) the United Nations Conference on Trade and Development (UNCTAD);
- (v) the United Nations Environment Programme (UNEP);
- (vi) the United Nations Industrial Development Organization (UNIDO); and
- (vii) the International Organization for Standardization (ISO)

II. THE CODEX ALIMENTARIUS COMMISSION

The Codex Alimentarius Commission is developing guidelines for the labelling of organically produced foods. The guidelines which are currently at a draft stage, are expected to be finalized at the twenty fifth session of the Codex Committee on Food Labelling, which will take place in Canada from 15-18 April 1997. They will then be submitted to the Codex Alimentarius Commission at its next meeting, in June 1997, for a final decision on their status.

3. As part of the Joint Food and Agriculture Organization and World Health Organization Food Standards Programme, the Codex Committee on Food Labelling is preparing Draft Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods.

4. In the guidelines, organic agriculture is defined as "a holistic production management system which promotes and enhances biodiversity, biological cycles and soil biological activity. It is based

¹Should delegations consider it useful, the Secretariat stands ready to carry out more in-depth analysis of various aspects of eco-labelling.

on the low use of external inputs and non-use of artificial fertilizers and pesticides"². With respect to eco-labelling, the guidelines address products that are labelled and sold as "organic."

5. The guidelines set out principles for organic production, and, among other things, indicate the acceptable amounts of soil fertilizers and conditioners to be used. With respect to labelling, they restrict the use of terms indicating that organic production methods have been used to only those products obtained from "operators" under the supervision of an inspection body³.

6. The aim of the guidelines is: (i) to protect consumers against deception and fraud in the market place and unsubstantiated product claims; (ii) to protect growers of organic produce against misrepresentation of other agricultural produce as being organic; (iii) to ensure that all stages of production, preparation, processing, storage, transport and marketing are subject to inspection and comply with the guidelines; (iv) to harmonize provisions for the production, certification, identification and labelling of organically grown produce; (v) to provide international guidelines for organic food control systems in order to facilitate recognition of national systems as equivalent for the purposes of imports; and (vi) to maintain and enhance organic agricultural systems in each country so as to contribute to local and global preservation.

III. THE INTERNATIONAL TRADE CENTRE

The ITC organized a workshop on eco-labelling in the textiles and clothing sector in 1995. The papers presented at the workshop have been published by the ITC. Several of them address the trade effects of eco-labelling schemes. The ITC has also produced a news bulletin on eco-labelling. While the ITC is still planning its future work programme in this area, it is hoping to align its activities with the developments that take place on this issue in the WTO's CTE. As it had done in the past, it will continue to organize a series of workshops related to the WTO Agreement on Textiles and Clothing in 1997, and expects that the environmental issues related to the Agreement (including eco-labelling) will be discussed.

7. In 1995, the ITC organized a workshop on Eco-Labelling and other Environmental Quality Requirements in Textiles and Clothing. The objective of the workshop was to increase awareness among developing countries of the environmental quality requirements that exist in the textiles and clothing sectors, and to facilitate the exchange of information and experiences among them. Representatives from the business community and public sector of 12 developing countries with significant production and export interest in the textiles and clothing sector participated in the workshop.

8. A document entitled *Eco-Labelling and Other Environmental Quality Requirements in Textiles and Clothing - Implications for Developing Countries*, which is a compilation of selected papers presented at the ITC Workshop, was produced in 1996. A number of these papers address the trade effects of eco-labelling schemes and their impact on developing countries. The document complements a previous (1994) ITC publication entitled *Textiles and Clothing: An Introduction to Quality Requirements in Selected Markets*.

²Codex Committee on Food Labelling. Draft Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods, 1997, para. 2.

³The term "operator" is defined in the guidelines as "a person who produces, prepares or imports, with a view to the subsequent marketing thereof, products referred to in Section 1.1 [of the guidelines], or who markets such products."

9. The ITC has also published a news bulletin on eco-labelling in the area of textiles and clothing (no. 48 of February 1996), called *Eco-labelling and Other Environmental Requirements in Textiles and Clothing*. The bulletin addresses various technical regulations that exist in this sector, and discusses their implications for developing countries.

IV. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The issue of eco-labelling has been examined in the OECD by the Joint Session of Trade and Environment Experts. In a recent report prepared by the OECD on the subject, the market and trade impacts of the eco-labelling schemes that are in operation in OECD countries are addressed. The OECD's future work programme in eco-labelling is undetermined at present, but will be discussed at the next meeting of the Joint Session of Trade and Environment Experts on 28-29 April 1997.

10. The OECD's Joint Session of Trade and Environment Experts has carried out extensive analytical work on trade and environment issues in the mid-90s. It has summarized its key conclusions and recommendations in a 1995 document entitled *Report On Trade and Environment To The OECD Council At Ministerial Level*. The report contains a section on Life-Cycle Approaches and Trade, which concludes with a recommendation to OECD governments:

"OECD Governments should, in accordance with relevant multilateral trade principles and rules, avoid unnecessary trade impacts on foreign exporters with regard to their trade policies and programmes based on life-cycle approaches. They should take steps to: ensure the transparency of these programmes by providing appropriate notice and opportunity for consultation with trading partners when significant impacts on their exports are expected; allow appropriate time periods for adaptation by trading partners to new or changed rules and programmes; take into account, where feasible and appropriate, the different factors and conditions existing for foreign suppliers which may not be relevant for domestic suppliers; make appropriate provisions, where feasible, for the special needs of developing countries and economies in transition; pursue greater harmonisation of life cycle methodologies, convergence of procedures, as well as equivalency and mutual recognition approaches, where appropriate; ensure that life-cycle policies or programmes do not effectively discriminate against foreign producers, ensure that criteria are environmentally justified and, where relevant, based on best available scientific and technical information, taking into account relevant environmental principles.

OECD Governments should endeavour, as appropriate, to encourage private programmes based on life-cycle approaches to address these concerns by taking similar steps"⁴.

11. In the last meeting of the Joint Session of Trade and Environment Experts, held in 1997, an OECD report entitled *Case Study on Ecolabelling Schemes*, was presented and discussed. The report examines a selection of eco-labelling programmes operating in OECD countries: The EU Eco-label Award Scheme, the Nordic Swan, the Swedish Environmental Choice Programme, the Canadian Environmental Choice Programme, the Blue Angel, the Green Seal, the Japanese Eco-Mark, and the French NF Environment. It draws conclusions on the following:

- (i) the level of transparency and degree of consultation they involve;
- (ii) their market impact;
- (iii) their trade impact; and

⁴Report On Trade And Environment To The OECD Council At Ministerial Level, p. 9.

- (iv) their environmental effectiveness.

12. At the meeting of the Joint Session, delegates agreed that the report should be made available to ISO Technical Committee 207 / sub-committee 3 on Environmental Labelling, and supported further collaboration between ISO and the Joint Session of Trade and Environment Experts on eco-labelling.

V. THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD's Ad Hoc Working Group on Trade, Environment and Development (AHWG) has examined the issue of eco-labelling. The UNCTAD Secretariat has produced two reports for examination by the AHWG on various aspects of eco-labelling, including its trade effects. UNCTAD's future work programme consists of a continued examination of the different issues that surround eco-labelling schemes, with a focus on developing countries. UNCTAD will convene an Expert Meeting on environmental management standards and their impact on developing countries from 29-31 October 1997 in Geneva. UNCTAD is expecting the publication, in early 1997, of various papers which it has compiled on eco-labelling.

13. Based on Decision 415 (XL) of 1994, UNCTAD's Trade and Development Board established an AHWG on Trade, Environment and Development. At its first and second sessions (November 1994 and June 1995), the AHWG examined the issue of eco-labelling, as well as the market opportunities for environmentally friendly products. With respect to eco-labelling, it focused on the following:

- (i) the comparative analysis of current and planned schemes, with a view to discussing concepts such as mutual recognition and equivalencies; and
- (ii) the examination of the possibilities for taking into account the interests of developing countries in the elaboration of eco-labelling criteria.

14. The first session of the AHWG examined an UNCTAD report on *Eco-labelling and Market Opportunities for Environmentally Friendly Products*, which focuses on how "environmentally friendly products" can be defined and certified. It also addresses the trade and competitiveness effects of eco-labelling schemes, and looks at how they can adversely affect the export competitiveness of developing countries and act as a non-tariff barrier to trade. Issues of importance to developing countries, such as (i) increased transparency in the development of eco-labelling schemes, (ii) the development of internationally agreed guidelines for principles to be adhered to in these schemes, (iii) the establishment of the equivalency of eco-labelling criteria, (iv) the encouragement of the mutual recognition of divergent environmental criteria, and (v) the provision of developing countries with technical assistance, are discussed in the report.

15. The second session of the AHWG examined another UNCTAD report on *Trade, Environment and Development, Aspects of Establishing Operating Eco-Labelling Programmes*, which builds on its previous (above-mentioned) report. It addresses the trade and environmental effects of eco-labelling, its developmental aspects (such as the special difficulties that are encountered by small and medium sized enterprises in complying with environmental standards), a number of sectoral issues⁵, as well as the interests of developing countries.

16. In the Note prepared by the UNCTAD Secretariat on UNCTAD Activities on Trade, Environment and Development (1997), UNCTAD presents a general overview of its ongoing and future work

⁵The following sectors are addressed: pulp and paper, textiles and clothing, and footwear.

programme in the area of eco-labelling. It states that it will continue to closely follow and report on relevant developments in the area of eco-labelling, in particular with regard to the trade, environmental and developmental effects on developing countries, and on concepts such as equivalency and mutual recognition. It will also explore the possibility of making eco-labelling an effective tool for trade expansion in environmentally friendly products from developing countries.

17. In February 1997, UNCTAD's Commission on Trade in Goods and Services, and Commodities has decided to convene an Expert Meeting with the following mandate: "to examine the operation, and the possible trade and investment impacts of environmental management standards, particularly the ISO 14000 series, on developing countries, and the identification of possible opportunities and needs in this context." The meeting is scheduled to be held in Geneva, in October 1997.

18. UNCTAD is expecting the publication of a book entitled *Eco-Labelling and International Trade* in early 1997. The book contains a number of papers that address the concerns of developing countries.

VI. THE UNITED NATIONS ENVIRONMENT PROGRAMME

Eco-labelling has been discussed by two Expert Group meetings convened by UNEP in 1995 and 1996. Two recent papers produced by UNEP address the issues of mutual recognition and equivalency, and criteria in environmental labelling. Due to resource constraints, UNEP is not planning further work on eco-labelling in the immediate future.

19. In 1995, UNEP convened an Expert Group meeting to discuss issues related to the environmental criteria used in awarding eco-labels, and their equivalency. The meeting was accompanied with the UNEP Governing Council's endorsement of UNEP's work on eco-labelling. The Governing Council adopted decision GC18/40 in which it specifically directed UNEP to continue its work in this area.

20. In 1996, a second Expert Group meeting discussed the principles of equivalency and harmonization, the relationship between eco-labelling criteria, international trade rules and the principles of environmental equivalency, as well as the future work to be undertaken by UNEP in these areas.

21. At the second Expert Group meeting, two UNEP papers were presented and discussed. They include: *Applying Principles of Environmental Equivalence in Achieving Mutual Recognition of Eco-labelling Schemes*; and, *Criteria in Environmental Labelling, A Comparative Analysis of Environmental Criteria in Selected Eco-Labelling Schemes*.

22. The first paper addresses the issue of the mutual recognition of eco-labelling schemes, and examines the following: (i) how products are selected for coverage by eco-labelling schemes; (ii) the degree of transparency involved in their development and implementation; and (iii) the institutional and procedural issues that would be involved in establishing a system of mutual recognition. It provides an overview of the work of different organizations in the field of mutual recognition. In addition, it discusses the relationship between international trade rules and mutual recognition, as well as key issues to be considered in the development of international principles for environmental equivalency and for the development of eco-labelling criteria.

23. The second paper presents a comparison of the environmental criteria used in a number of different eco-labelling schemes for similar product categories. It examines the environmental characteristics of three products - paper, laundry detergents, and textiles, and provides an overview of the environmental criteria used in up to 13 eco-labelling schemes for these product categories. The paper highlights the major underlying methodological assumptions that are made in environmental assessments in general, and product-related life-cycle assessment in particular.

VII. UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

UNIDO has a broad mandate in the area of eco-labelling. In 1995 it conducted a survey of the trade effects of ISO standards on developing countries, which it is currently expanding and updating. The results of the more recent survey are expected in 1997, and will be the subject of discussion at UNIDO's next Expert Group Meeting, which will take place in September 1997. UNIDO is planning to organize a conference in the beginning of 1998 to discuss the results of the survey with representatives from developing countries and economies in transition, as well as from a number of organizations.

24. The UNIDO General Conference Resolution on Environmentally Sustainable Industrial Development (GC6/Res6) was adopted in 1995. The Resolution addresses the issue of eco-labelling. It recognizes that "the application of various eco-labelling schemes in several countries within international markets may pose non-tariff barriers or marketing barriers to enterprises in developing countries," but that eco-labelling also has "various positive effects", such as its "enlightening and educational effects for environmental programmes for consumers".

25. The Resolution makes two requests of UNIDO's Director-General which serve to outline UNIDO's mandate in the area of eco-labelling. In the Resolution, the General Conference:

"3. Requests the Director-General to develop a suitable technical cooperation programme for the 1996-1997 biennium aiming to provide technical support to technical service institutions and standards bodies in developing countries so that they could effectively apply relevant ISO standards, including ISO 9000 and ISO 14000 series of standards."; and

"5. Requests the Director-General, subject to future international agreement on eco-labelling requirements, and in close cooperation with the competent international bodies, in particular the World Trade Organization, to provide assistance to developing countries to enable them to support the necessary adjustment of national industrial production and related services to the internationally agreed requirements."

26. In cooperation with the ITC, in 1995 UNIDO conducted a survey on the trade effects of ISO 9000 and 14000 standards in 33 countries, entitled *Survey of Trade Implications of International Standards for Quality and Environmental Management Systems (ISO 9000/ ISO 14000 Series)*. Developing countries and emerging economies were surveyed in Latin America, the Caribbean, Africa, Asia, and Eastern Europe, with the objective of assisting these countries, and their small and medium sized enterprises (SMEs) in particular, in investigating the impact of standards on their access to international markets.

27. The survey reaches a number of conclusions on the issue of eco-labelling with respect to the following: the degree to which the proliferation of different eco-labelling schemes affects the market access of developing countries, and the extent to which these countries believe that harmonized standards would address the problems that they currently face.

28. UNIDO is updating its 1995 survey and expanding its coverage to 45 countries (developing and transitional economies). To perform the survey, questionnaires are being distributed to trade / industry government departments, national standardizing bodies, certification and accreditation bodies, SMEs and larger organizations. Its results are expected in 1997.

VIII. THE INTERNATIONAL ORGANIZATION FOR STANDARDIZATION

ISO's Technical Committee 207 on Environmental Management is responsible for developing environmental standards for the following areas:

- (i) *Environmental Management Systems;*
- (ii) *Environmental Auditing and Related Environmental Investigations;*
- (iii) *Environmental Labelling;*
- (iv) *Environmental Performance Evaluation;*
- (v) *Life Cycle Assessment; and*
- (vi) *Terms and Definitions.*

Two sub-committees of the Committee 207 are currently engaged in the preparation of standards in the areas of Environmental Labelling and Life Cycle Assessment. Their standards will be discussed further at Technical Committee 207's next meeting, which will take place in Japan, in April 1997.

(i) *Environmental Labelling*

29. ISO's sub-committee 3 (SC3) examines the issue of Environmental Labelling. It classifies eco-labels into three categories:⁶

- (i) *Type I* environmental labels are "voluntary, multiple criteria-based third-party practitioner programs that award labels claiming overall environmental preference of a product within a particular product category based on life cycle considerations"⁷.
- (ii) *Type II* environmental labels consist of "informative environmental self-declaration claims". Such claims are made without third-party certification by manufacturers, importers, distributors, retailers or anyone else likely to benefit from them.
- (iii) *Type III* environmental labels are "quantified product information labels based upon independent verification using preset indices".

30. SC3 is working on the development of five standards under the ISO 14000 environmental series, covering both Type I, II and III eco-labels. They include the following:

- (i) ISO 14020 Environmental Labels and Declarations - Basic Principles;
- (ii) ISO 14021 Environmental Labels and Declarations - Self-Declaration Claims - Terms and Definitions;
- (iii) ISO 14022 Environmental Labels and Declarations - Self-Declaration Environmental Claims - Environmental Labelling Symbols;
- (iv) ISO 14023 Environmental Labels and Declarations - Self-Declaration Environmental Claims - Testing & Verification Methodologies; and
- (v) ISO 14024 Environmental Labels and Declarations - Environmental Labelling Type I - Guiding Principles and Procedures.

⁶ISO. Business Plan of ISO/TC 207/SC 3, Environmental Labelling, 1997, p. 1-2.

⁷Programmes of this nature have already been established in Canada, Germany, Japan, the United States, and the Nordic countries.

31. ISO standards pass through a number of stages prior to publication. These include the Working Draft (WD), Committee Draft (CD), Draft International Standard (DIS), Final Draft International Standard (FDIS), and approval and publication stages. At the DIS stage, standards are submitted to ISO Members for a vote. At the FDIS stage, the standards that are submitted for a vote, are also made public.

32. ISO 14020 sets out a number of principles to be adhered to in the development of environmental labels and declarations, such as for instance the principle that labels shall be accurate, verifiable, relevant and non-deceptive. Where other ISO standards on eco-labelling provide more detailed guidance, that guidance is to be used in conjunction with the principles of ISO 14020. All other ISO standards on eco-labelling are intended to be consistent with its principles. ISO 14020 is at the CD stage.

33. ISO 14021 deals with Type II environmental labelling. It establishes general guidelines regarding environmental claims in relation to the supply of goods and services, and defines, and sets rules for the use of, specific terms employed in environmental claims. ISO 14021 is at the DIS stage.

34. ISO 14022 deals with environmental symbols that convey self-declaration environmental claims. It establishes general guidelines for the use of symbols for products and services. It also defines, and sets rules for the use of, a number of specific symbols used in environmental claims. The standard is at the CD stage.

35. ISO 14023 covers testing and verification methodologies for environmental claims relating to products, processes and services, including those defined in ISO 14021, such as "energy efficiency", "recyclability" and "biodegradability". ISO 14023 is at the WD stage.

36. ISO 14024 contains guiding principles and practices for certification procedures for the development of multiple criteria-based, third-party environmental labelling programmes of Type I. It is intended to provide a reference document ensuring the credibility and non-discriminatory nature of eco-labelling programmes falling under this category of labels. ISO 14024 is at the CD stage.

(ii) *Life Cycle Assessment*

37. ISO's sub-committee 5 (SC5) examines the issue of Life Cycle Assessment (LCA). It is currently working towards the development of a group of practical LCA tools that can be used in product design or redesign, environmental performance evaluation, environmental claims, eco-labelling schemes, and product analysis by regulatory bodies.

38. The development of four standards is currently underway in SC5. These standards include the following:

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| (i) | ISO 14040 | Environmental Management - Life Cycle Assessment - Principles and Guidelines; |
| (ii) | ISO 14041 | Environmental Management - Life Cycle Assessment -Inventory Analysis; |
| (iii) | ISO 14042 | Environmental Management - Life Cycle Assessment- Life Cycle Impact Assessment; and |
| (iv) | ISO 14043 | Environmental Management - Life Cycle Assessment- Life Cycle Improvement Assessment. |

39. ISO 14040 establishes guidelines, general principles and practices for conducting and reporting on life cycle assessment studies in a responsible and consistent manner. It states that:

"LCA is a systematic tool of assessing the environmental impacts associated with a product or service system to: build an inventory of inputs or outputs; make a qualitative evaluation of those inputs and outputs; and identify the most significant aspects of the system relative to the objective of the study. LCA considers the environmental impact along the continuum of a product's life (i.e. cradle-to-grave) from raw materials acquisition to production, use and disposal. The general categories of environmental impacts to consider include resource depletion, human health, and ecological consequences"⁸.

40. ISO 14040 is currently at the FDIS stage. The remaining three standards are still the subject of discussion in SC5, and their objectives are being crystallized. At present, they are all at the CD stage.

⁸ISO/TC 207/SC5. Environmental Management - Life Cycle Assessment - Principles and Guidelines, 1995, p. 4.