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THE NEW GREENWASH?

POTENTIAL MARKETING PROBLEMS

WITH CARBON OFFSETS

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Firms and consumers have realised the need to make changes in their consumption due to environmental issues like global warming. These changes likely rely on consumers using information about products to make more responsible choices. However, some of these messages – particularly those dealing with carbon offset programs – are potentially misleading, which may then prevent consumers from undertaking responsible behaviours. This paper examines several issues that are important to the marketing of carbon offsets.

Keywords: carbon offsets, consumer behaviour, green guidelines, greenwashing, regulation

I. INTRODUCTION

There is a realisation by government, firms and consumers globally that they must integrate environmental activities into behaviour and reshape how we behave in regards to consumption and the environment. For example, the Australian Government was the first internationally to set a timeline for phasing out traditional light bulbs in favour of long-life fluorescent bulbs (Department of Environment, Water, Heritage and Arts, 2008). Firms, too, have identified the need to develop products that minimise their environmental impact, while at the same time targeting consumers who increasingly becoming environmentally aware (Ginsburg and Bloom, 2004). This is true not only for large corporations, but for small- and medium-sized companies as well.

Consumers are also seeking to modify their behaviour and become more responsible. In some cases people are making significant changes to their behaviour. For example, globally there has been an increased demand for public transportation and alternative transportation modes (e.g. riding bicycles) that have less negative environmental impact. On the other hand, consumers may be simply integrating environmental criteria in their normal purchases, without making radical changes to their life. For example, more consumers are choosing reusable shopping bags rather than plastic bags. In another example, when replacing electric goods, consumers purchase those that are more energy efficient, thus reducing their contribution to greenhouse gases.

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Changes in behaviour, whether they are governmental, corporate or consumer, rely on making purchases while assessing meaningful environmental information and choosing the least harmful alternatives. This is particularly true of consumers who are often bombarded with messages about environmentally friendly products. More importantly, any environmental information needs to be in a form that consumers can actually understand and assess if they are to act upon it. This is where there is increasing difficulty, as in many cases, there is not agreement on the environmental ‘facts’ associated with all issues. For example, the scientific complexity of global warming means that it is difficult to communicate relevant information in an understandable form. The complexity of communicating environmental information was one of the reasons that governments around the world initially developed ‘green’ marketing guidelines (Kangun and Polonsky, 1996), which generally fall within traditional consumer protection schemes within nations.

Unfortunately, many of these guidelines have not kept up with the changing nature of environmental issues that are being touted in ‘green’ marketing and messaging. One issue that has increasingly been used relates to firms’ carbon production and/or abatement. The concern with how carbon issues have been used in marketing has prompted several governments to review their ‘green’ marketing guidelines in light of these new types of marketing claims (ACCC 2008b, Majoras, 2008). Indeed, in the United States, the Federal Trade Commission has spent the past three years reviewing their 1992 ‘green’ marketing guidelines and is launching the revised set this autumn. So we look at the potential issues associated with one aspect of the carbon debate – carbon offsets – and discuss why marketing claims around this issue are potentially open to exploitation.

II. CARBON OFFSETS: THE NEXT ‘GREEN’ MARKETING FRONTIER

One new ‘green’ marketing tool increasingly used is that of carbon offsets, which is being integrated into a range of goods and services marketers. Carbon offsets are basically programs that implement a “measurable avoidance, reduction or sequestration of” carbon or greenhouse gases (Rameur 2007). These can broadly be grouped into four categories of carbon offsets: (1) biological sequestration whereby trees are preserved or new trees are planted which absorb carbon; (2) renewable energy projects that involve activities that undertake or invest in projects that produce energy without producing carbon (e.g. solar, wind farms); (3) energy efficiency which involves improving energy efficiency, developing environmentally responsible buildings, or switching/funding the switch to long-life light bulbs; and (4) reduction of non-CO₂ emissions from specific sources (e.g. phasing out greenhouse gases) (Rameur, 2007).

The way in which information about carbon offsets is presented is further complicated by the fact that there are multiple carbon offset schemes being applied globally. For example, a recent study by the World Wildlife Federation (WWF) identified at least ten major carbon offset schemes, each of which was established by different bodies with different sets of criteria (Kollmuss, Zink and Polycaro, 2008). Given the complexity of carbon issues, it is no wonder that the US Federal Trade Commission

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\(^1\) Carbon offsets are in fact products in their own right, but this discussion focuses on them as part of services and goods manufacturers’ marketing activities.
(Majoras, 2008) and the Australian Consumer and Competition Commission (ACCC, 2008a, 2008b) have initiated investigations into the use of carbon offsets as a potentially misleading form of 'green' marketing.

The basic questions asked by regulators when assessing the use of carbon claims are the same as for any claim, 'green' or traditional: Are firms using carbon offsets in marketing activities in a way that consumers can understand the programs and thus can make effective decisions on their use? This is no simple task given the scientific complexity associated with the technologies involved (a discussion of these complexities is well beyond this paper; see Kellstedt, Zahran and Vedlitz, 2008).

Carbon offsets are used as marketing tools in different ways. Some firms purchase carbon offsets and then promote their activities as being carbon neutral, as the carbon savings being purchased offsets the carbon produced by the firm. In this case the firm has not necessarily reduced its carbon production; rather they have funded carbon savings in other areas. While technically factual, such claims might be misleading if consumers are led to believe that the firm has reduced its carbon output. That is, consumers may think firms are polluting less, when in fact they are not reducing their pollution, but rather offsetting the pollution with abatement in other areas.

In other instances, for example, airlines or rental car companies offer the consumer the ability to purchase carbon offsets equal to the carbon produced by the consumption of that service (Mackerron et al., 2009). In reality, such offsets relate solely to the kilometres flown and not any carbon produced in manufacturing the plane or operating the airline more generally. Thus whether these are misleading or not will depend on what consumers believe they have purchased.

In principle, the use of carbon offsets as marketing tools is technically fine as it provides additional information to consumers. However, as defined above, offsets involve extremely complex arrangements and in many cases there is debate about the effectiveness of alternatives. As such it is easy to see how simple it could be for consumers to be confused (or even misled) by firms' claims associated with carbon offsets. Most green marketing guidelines (and their pre-cursor – consumer protection guidelines), suggest that claims are misleading if the average consumer could interpret them in an inaccurate fashion. This means that regulators and firms need to be concerned with not only the intent of claims, but consumers' actual understanding.

In a recent study of 356 Australian consumers and 352 US consumers, it was found that on an eight-question knowledge test about environmental issues, 77% of Australian consumers and 72% of US consumers could be considered to have high levels of environmental knowledge (Landreth-Grau, Polonsky and Garma, 2009). However, when asked about carbon offsets, only 37% of the Australian consumers and 40% of the US consumers could be classified as high knowledge. Thus, there was a significantly lower level of carbon offset knowledge which might mean these consumers would be unlikely to interpret claims about carbon correctly.

Additionally, the study looked at the relationship between the two types of knowledge and found that for Australian consumers, there was no relationship between general environment and carbon offset knowledge; however, for US consumers, there was in fact a negative correlation between knowledge types. Thus, having a higher level of general environmental knowledge did not result in a higher level of carbon offset
knowledge in either country. This further supports the concerns raised by regulators, as it means that even environmentally aware consumers do not necessarily understand the complexities of carbon offsets. Additional research is underway in order to provide deeper detail.

III. POTENTIAL ISSUES OF CONCERN

To date, the various regulatory reviews of carbon offsets as a ‘green’ marketing tool have touched on a number of issues. We will overview these as well as other issues that could potentially be misleading to consumers in the marketplace.

The most pressing issue relates to the fact that there is no uniform, accepted standard for carbon offsets or carbon related claims. While marketing guidelines require that firms making such claims need to be able to define and substantiate these claims, there are unfortunately a number of divergent scientific opinions and definitions. Thus firms applying different standards could be making the same claim and each would be defendable according to the law, but would consumers understand such differences in interpretation?

A second issue relates to the scope of what is being claimed, i.e. what is covered? As was identified in the airline example, the offset sold to consumers was for the carbon produced from the fuel used during a flight averaged over the people on the plane. This means that it does not include the carbon associated with the operation of the airline nor any of the environmental costs associated with the manufacture of the airplanes. A further issue is that firms could mislead consumers regarding their carbon offsets relative to their carbon output. For example, consumers may not fully know whether the fuel allocation is a significant part of the carbon associated with the airline.

Making matters more complicated, according to some guidelines, a carbon offset can include firms’ internal activities that reduce their carbon production. This could potentially include updating equipment to newer infrastructure that is more environmentally friendly. Thus, would airlines that purchase new planes be able to claim part of the purchase as an offset, simply because the planes use less fuel? Guidelines suggest that any such improvements need to be additive, if they are to count as a carbon offset. As such, upgrading the fleet of planes (or cars) would not count, unless it could be argued that some added ‘optional features’ were included. It is, however, unclear how such assessments of what is ‘extra’ are to be made.

Another critical issue arises in regards to the timing of any environment improvements. That is, does an offset purchased today relate to a reduction in carbon today or in the future? For example, a new plantation of trees certainly has the potential to reduce carbon in the future, if the trees reach maturity. However, this will not result in a savings in the short term and thus consumers may be misled as to when they believe any improvement will be made (if this is an important issue). Of course there will be a secondary issue of whether any such future offsets are in fact audited and insured against loss. For example, what if the forest does not reach maturity? Does the firm promoting they have purchased the offset have an option (through insurance) to purchase alternative savings? Of course, one might further ask, will consumers in fact be informed about the outcome, given it is related to a purchase they
made many years earlier? Even if they were informed, what recourse would they have against the firm who marketed the initial good purchased? And last, given the time differential, would consumers really care?

The tracking of carbon produced and saved is potentially an issue that will need monitoring to ensure that there is no double counting. That is, one firm claims the planting of a plantation as an offset, whereas another firm in the future claims the purchase and protection of this new ‘forest’ as an offset. Thus monitoring who purchases which offsets and what happened to the asset will be important to ensure that the one saving is not counted by two separate organisations as an offset. It is unclear if regulations have developed sufficiently to ensure that this does not occur.

The likely success of a future focused on carbon offsets resulting in carbon savings (i.e. referred to as permanence and risk management) is also important. Take again the planting of a new forest. The carbon offset would relate to the life or some specified period of the forest. What happens when the forest dies (for whatever reason)? As such, firms selling this type of carbon offset will need to have contingency programs (such as options to purchase offsets from others). It is unclear how consumers could assess this. One approach would be that when standards for offsets of this type are developed, they include clauses to deal with this possibility. However, communicating these complex arrangements with consumers in a way they can assess the veracity of the claims will be difficult.

Consumers could also question whether all offsets are equal. That is, is one type of offset inherently more environmentally valuable than another? Is it better for a firm to revise its production facilities providing for more long term efficiencies or is it better to fund offset projects to protect old growth forests? This is a scientific issue that is too complex for consumers to possibly evaluate and is generally not reported in promotion related to offsets. Some carbon offset standards explicitly state that all offsets are equal and in fact exclude ‘other’ benefits beyond the carbon savings (A.C.CC, 2008c). While the other environmental benefits may be irrelevant to how much carbon is saved, consumers may be interested in differences if these impact other environmental features (e.g. biodiversity).

**IV. CONCLUSIONS**

Carbon related claims are still relatively new and thus marketers need to be careful that they effectively communicate information in a meaningful way to consumers. There does need to be some international leadership to set standards and to get global agreement to define what is acceptable. This will be difficult, to say the least. While many hoped some further guidance would have arisen after Copenhagen (Rogeli et al., 2010), this effort was unfortunately not successful and as a result marketers and consumers are still left with ongoing uncertainty. Of course, global standards are on their own no panacea to providing consumers with accurate information. However, some standards would potentially minimise the variance in organisational behaviour across countries and schemes.

There is a real risk that marketers may turn carbon offset claims into a meaningless promotional tool (i.e. greenwash). If this does occur it will have a significant negative environmental consequence, as truly environmentally engaged marketers may be less
willing to use carbon offsets if they are simply marketing hype. This will mean that consumers are less able to make effective environmental purchasing decisions, since relevant information is unavailable. As such, one of the biggest problems for marketers will be determining how to communicate complex information in a way that has some real meaning for consumers.

REFERENCES


