Protecting and empowering consumers in the green transition

ISSUES NOTE

This provides background information for discussion at the OECD Consumer Policy Ministerial Meeting.

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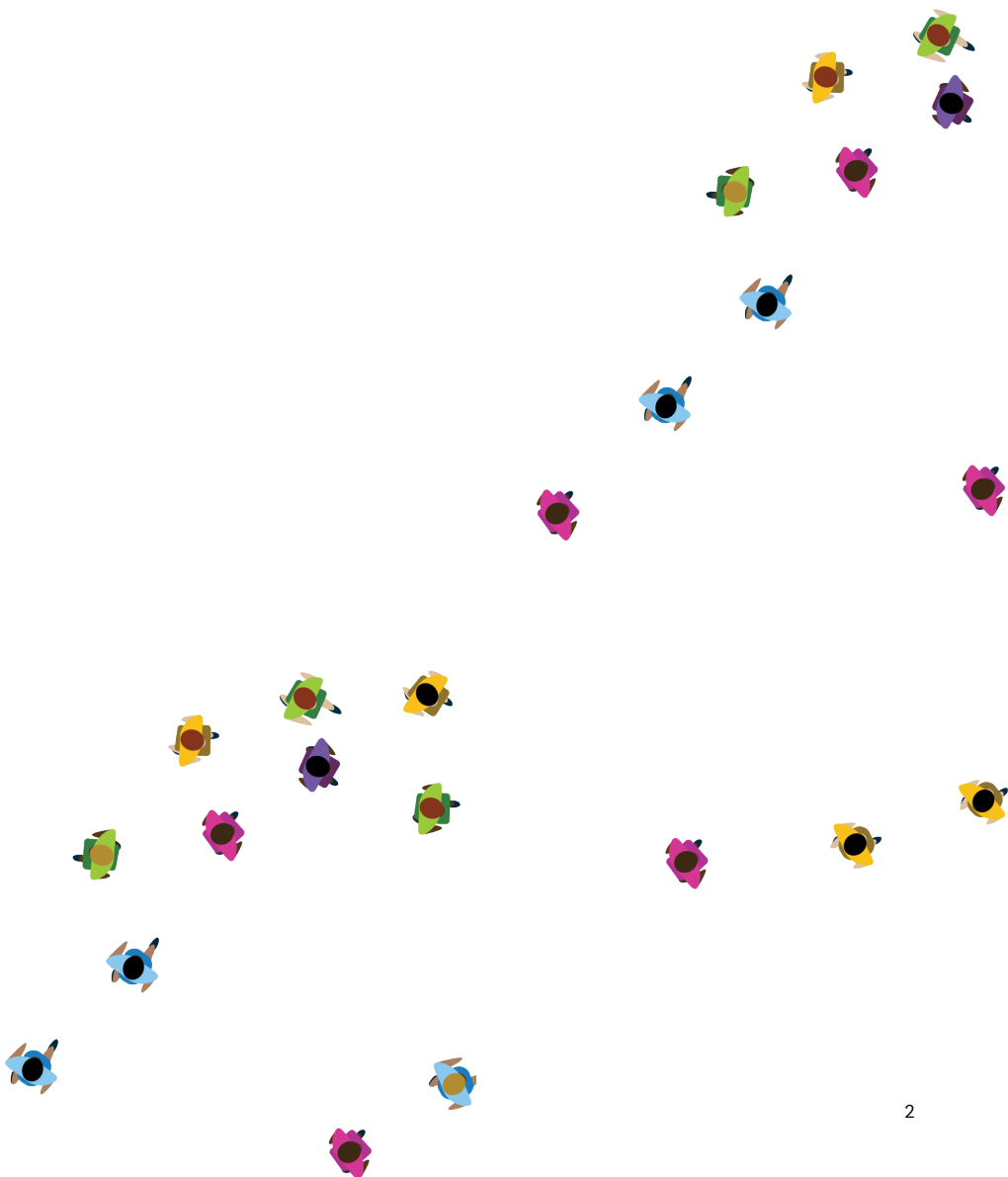
KEY POINTS

Studies indicate that many consumers globally are concerned about the environment and that such concerns can be important to consumer decisions. In well-functioning markets, these consumers have the potential to incentivise businesses to provide more sustainable goods and services, including through innovative business models and digital tools, to help shift market offerings towards more sustainable choices.

Consumers, however, may be impeded from acting on their preferences by a lack of clear, accurate and easily understandable information about the environmental impact of products, misleading or unsubstantiated green claims, and other obstacles, such as cost and availability.

Jurisdictions are implementing a range of policy and enforcement measures, such as taking action against misleading green claims, ensuring availability of accurate sustainability-related information, facilitating repair and outlawing planned product obsolescence. Various business initiatives and digital technologies can also facilitate sustainable consumption.

Insights into consumer understanding of environmental claims and possible obstacles to sustainable consumption can serve as a foundation for evidence-based policy measures, whether in the field of consumer policy or other policy areas.

CONSUMERS ARE CONCERNED ABOUT THE ENVIRONMENT BUT FACE OBSTACLES TO SUSTAINABLE CONSUMPTION

The world is facing interlinked global crises of climate change, pollution and biodiversity loss. As highlighted at the Ministerial Meeting of the OECD Council in May 2024, addressing these challenges requires ambitious actions.[1] Acting on the demand-side of markets can be an important complement to supply side measures. Estimates suggest that, compared to baseline scenarios, having the right policies, infrastructure and technology in place to enable changes in lifestyles and behaviour in key sectors such as housing, mobility, or food choice, could result in a 40-70% reduction in greenhouse gas emissions by 2050.[2] This represents significant untapped potential for addressing climate change.

And many consumers do seem to care.

Preliminary results from a 2024 OECD survey across 18 countries ("the 2024 OECD survey") indicate that most consumers surveyed were concerned about the environment (68%), considered environmental protection important (74%), and were willing to make sacrifices to protect the environment (60%).

A range of surveys, including the 2024 OECD survey, further suggest that environmental concerns tend to be stronger among women than men.[3] Importantly, most surveyed consumers considered the environmental impact of products a factor when purchasing new products.[4]

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[1] OECD (2024), *Ministerial Council Meeting Statement,* https://www.oecd.org/content/dam/oecd/en/about/2024-Ministerial-Council-Statement.pdf/_jcr_content/renditions/original./2024-Ministerial-Council-Statement.pdf.
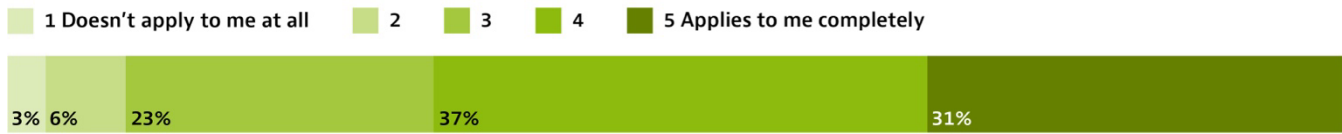
[2] IPCC (2022), *Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, IPCC, https://www.ipcc.ch/report/sixth-assessment-report-working-group-3/.

[3] OECD (forthcoming), *Empirical study on sustainable consumption*, OECD Publishing, Paris; (2023), *How Green is Household Behaviour? Sustainable Choices in a Time of Interlocking Crises, OECD Studies on Environmental Policy and Household Behaviour, OECD Publishing, Paris,* https://doi.org/10.1787/2bbbb663-en; OECD (2021), *Gender and the Environment: Building Evidence and Policies to Achieve the SDGs,* OECD Publishing, Paris, https://doi.org/10.1787/3d32ca39-en.

[4] OECD (forthcoming), *Empirical study on sustainable consumption,* OECD Publishing, Paris.

Figure 1. **Consumer attitudes towards the environment and their actual behaviour, 2024**
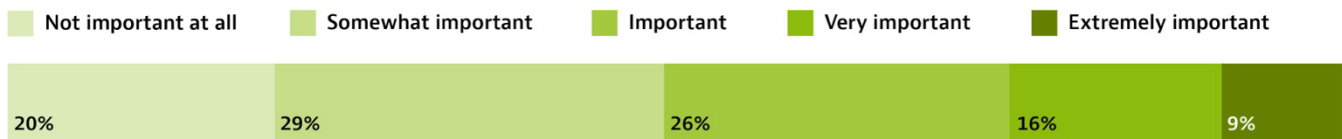
I am concerned about the environment

Legend: 1 Doesn't apply to me at all | 2 | 3 | 4 | 5 Applies to me completely

| 3% | 6% | 23% | 37% | 31% |

I am willing to make sacrifices to protect the environment

Legend: 1 Doesn't apply to me at all | 2 | 3 | 4 | Applies to me completely

| 4% | 9% | 27% | 35% | 25% |

How did you obtain the last household appliance, electronic device, furniture piece, or apparel item?

Legend: New | Second-hand | Refurbished | Rent or lease

| 71% | 19% | 8% | 3% |
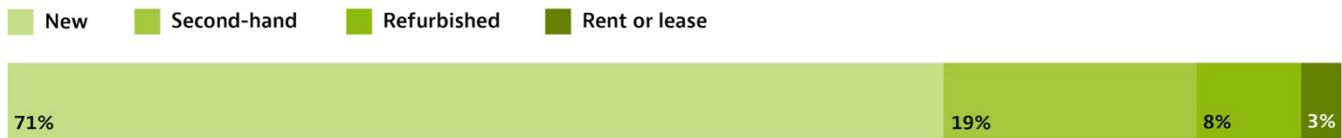
When bought new: How important was the product's impact on the environment compared to other product aspects?

Legend: Not important at all | Somewhat important | Important | Very important | Extremely important

| 20% | 29% | 26% | 16% | 9% |

Note: Survey across 15 OECD countries and 3 ASEAN member economies. Percentages may not add up to 100% due to rounding.
Source: OECD (forthcoming), *Empirical study on sustainable consumption,* OECD publishing, Paris.

In well-functioning markets, these consumers have the potential to incentivise businesses to provide more sustainable goods and services, helping to shift market offerings towards more sustainable choices. However, there are a number of obstacles that can make it difficult for consumers to choose more sustainable options despite their intentions. Past OECD research, for example, highlights limited availability of more sustainable options, as well as the role of affordability- and convenience-related constraints in consumer decision-making.[5] Results from the 2024 OECD survey also suggest that price remains a key decision-making factor for many consumers. They further indicate that a perception of limited impact and the difficulty of distinguishing more from less sustainable products can

be a decisive factor keeping consumers from attaching an even higher importance to products' environmental impact when purchasing new products. Additionally, considering electronic devices (e.g. TV, mobile phone, or laptop), uncertainty about the quality of products was the reason most often given for not buying a second-hand or refurbished product alternative. High costs were the most important obstacle to product repair.[6]

Greenwashing, the practice of using misleading, deceptive or unsubstantiated environmental claims, can also be a substantial impediment to making greener choices.

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[5] OECD (2023), *How Green is Household Behaviour?: Sustainable Choices in a Time of Interlocking Crises*, OECD Studies on Environmental Policy and Household Behaviour, OECD Publishing, Paris, https://doi.org/10.1787/2bbbb663-en.

[6] OECD (forthcoming), *Empirical study on sustainable consumption*, OECD Publishing, Paris.

The International Consumer Protection and Enforcement Network (ICPEN), in a sweep (co-ordinated screening) of around 500 e-commerce sites, found that 40% of the green claims on those websites could be misleading.[7]

Results from the 2024 OECD survey indicate that most of the surveyed consumers thought that "a lot of the brands that claim to be better for the environment are not better than brands that do not make such claims". The results also reveal that common green claims, such as "recycled", "recyclable" or "carbon neutral", appeared to be inconsistently understood. While consumers who are concerned about the environment appeared to be more certain about the meaning of different environmental terms, in practice they showed the same lack of understanding as less concerned consumers. Consumers further often associated some environmental claims with additional, unclaimed environmental benefits (which is commonly described as the "halo effect") or had difficulties distinguishing between official or third-party certified eco-labels and fictitious ones. These results are concerning, as evidence also suggests that environmental claims and labels, regardless of whether they are true, can substantially influence consumers' purchasing decisions. For example, results of a hypothetical choice experiment in the 2024 OECD survey indicate that the presence of an ecolabel increased demand for the higher-priced product perceived as "greener", irrespective of whether the label was certified or fictitious.

Deceptive and harmful business practices related to more sustainable products can reduce consumer confidence in those products or related claims, and affect market dynamics. For example, such practices may disincentivise some businesses from advertising their green credentials to avoid accusations of greenwashing ("greenhushing"), in turn further compromising consumer ability to identify sustainable options. They may also undermine a level playing field for honest businesses. For example, if consumers cannot easily compare the repairability and durability of products, or do not trust available information, businesses investing in making more durable products may be at a competitive disadvantage. Similarly, when businesses disregard product safety risks in the circular economy, this not only puts consumers at risk but also subverts those businesses making investments to ensure the safety of their products.

EFFECTIVE POLICIES CAN HELP ADDRESS THE OBSTACLES

Consumer policy can play an important role where obstacles make it difficult for consumers to choose more sustainable products despite their intentions.

Greenwashing, in particular, has been a focus of policy attention and enforcement action in many jurisdictions. A key priority for policy makers and enforcers has been to ensure access to sustainability-related information that is clear, accurate and easy-to-understand, complete and substantiated, while avoiding an overload of information. Beyond enforcement actions against misleading claims more broadly, policy measures being explored or implemented include new laws focusing specifically on misleading environmental claims or the information about the environmental impact of products, business guidance, third-party certification schemes, consumer education and awareness campaigns, and industry self-regulation.

Consumer policy can also have a role to play in relation to other issues affecting consumers' ability to act on

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[7] ICPEN (2021), *Global sweep finds 40% of firms' green claims could be misleading*, https://icpen.org/news/1147 (accessed on 5 March 2024).

their environmental concern in marketplace transactions. These include, for example, issues related to product labelling, second-hand product sales and rentals, shared services, product repair, product warranties, business liability and product safety concerns linked to circularity (the latter being discussed in further depth in the issues note "Addressing new consumer product safety risks in a fast-evolving and global marketplace" prepared for the OECD Consumer Policy Ministerial).

OECD research also indicates that some jurisdictions are tackling sustainable consumption issues as part of a whole-of-government approach involving the engagement of several policy areas, including but not limited to consumer policy.[8] These jurisdictions have considered or implemented measures aiming to facilitate access to affordable and convenient green options, taking into account the entire product life cycle including production, use, repair and disposal. An example is 'right to repair' policies, which encourage a greater uptake of product repair through

complementary demand and supply side measures, and involve considerations of competition, consumer protection, environmental and intellectual property policy issues. Other examples are outlawing planned product obsolescence, and developing sector-specific public-private partnerships to transform how certain products are being made, used, reused and recycled. The intersections between consumer policy and other policy areas on a variety of green consumer issues more broadly suggest that greater interdisciplinary co-operation can be beneficial.

Empirical evidence, such as insights into consumer understanding of environmental claims and the other obstacles to sustainable consumption highlighted above, can serve as a foundation for policy measures, whether in the field of consumer policy or other policy areas. This may also include gaining a better understanding of the connection between consumption patterns, behaviour and gender, which can provide important insights for the design of effective policy measures.[9]
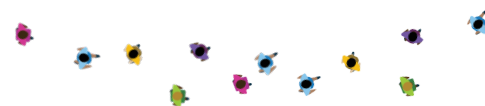
BUSINESSES AND DIGITAL TECHNOLOGIES CAN FACILITATE THE GREEN TRANSITION

Beyond ensuring accurate information about products' environmental attributes, the business community can play an important role in enabling sustainable consumption in other ways. In 2023, the OECD updated its guidelines for multinational enterprises, with an emphasis on providing safe, durable, and reparable products that can be reused, recycled, and disposed of safely.[10] They also highlight a need to raise consumer awareness of the environmental implications of product use, including by providing relevant and accurate information on environmental impacts.

Businesses are aware of the heightened interest in environmental protection and sustainability, and many respond by working to innovate, compete, and offer products with lower environmental impacts. For example, many companies – from the apparel

and footwear to electronic industries – have launched programmes to encourage the sustainable use of products and prevent premature disposal in landfill.[11] Other companies are embracing 'design with second life in mind' principles to keep products in use for longer.[12]

The digital transition can also facilitate business innovations and policies relating to sustainable consumption. For example, the ancillary tools and services in online resale markets, such as verified review, buyer protection schemes and quality and safety certifications, have the potential to strengthen consumer confidence when purchasing second-hand or refurbished products.[13] Sharing economy markets provide consumers with access to products on a temporary basis, eliminating the need to buy new products for occasional use. Digital tools can further

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[8] OECD (forthcoming), "Protecting and empowering consumers in the green transition", *OECD Digital Economy Papers*, OECD Publishing.

[9] OECD (2020), *Session 5: Gender-specific consumption patterns, behavioural insights, and circular economy - issues note*, 2020 Global Forum on Environment: Mainstreaming Gender and Empowering Women for Environmental Sustainability.

[10] OECD (2023), *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*, OECD Publishing, Paris, https://doi.org/10.1787/81f92357-en.

[11] Esposito, M., T. Tse and K. Soufani (2016), "Companies are working with consumers to reduce waste", *Harvard Business Review*, https://hbr.org/2016/06/companies-are-working-with-consumers-to-reduce-waste (accessed on 5 March 2024).

[12] Hilton, B. and M. Thurston (2019), *Design for Remanufacturing*, Wiley, https://doi.org/10.1002/9781119664383.ch6.

[13] OECD (2017), "Trust in peer platform markets: Consumer survey findings", *OECD Digital Economy Papers*, No. 263, OECD Publishing, Paris, https://doi.org/10.1787/1a893b58-en.

assist consumers in making greener decisions. For example, in 2024, the European Union introduced new legislation requiring a range of products sold in the European Union to have a digital product passport in place. This digital recording can provide consumers with comprehensive and reliable information, including on the sustainability characteristics of products, enhancing traceability along supply chains, and potentially unlocking new opportunities for circular business models. Other examples include smart meters enabling optimisation of energy consumption through real-time monitoring, and predictive maintenance functions in connected devices guiding consumers in taking better care of their products.

These benefits have to be balanced, however, against possible negative impacts of the digital transition on the environment,[14] which may be relevant from a consumer perspective. The environmental footprint of e-commerce, including product returns, is an example.[15]

QUESTIONS FOR DISCUSSION

1   What are the key obstacles to sustainable consumption that consumers face?

2   Together with other policy areas, what role can consumer policy and enforcement play to help consumers who want to make greener choices do so?

3   What further research and analysis, in particular by the OECD, is needed to better understand environmental consumer issues?

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[14] OECD (2022), "Measuring the environmental impacts of artificial intelligence compute and applications: The AI footprint", *OECD Digital Economy Papers*, No. 341, OECD Publishing, Paris, https://doi.org/10.1787/7babf571-en.

[15] See e.g. Collini et al. (2022), *E-commerce and the EU Green Deal: Analysis of the environmental footprint of online sales in the context of the circular economy*, https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734013/IPOL_STU(2022)734013_EN.pdf.

OECD
BETTER POLICIES FOR BETTER LIVES

🌐 https://oe.cd/consumer24
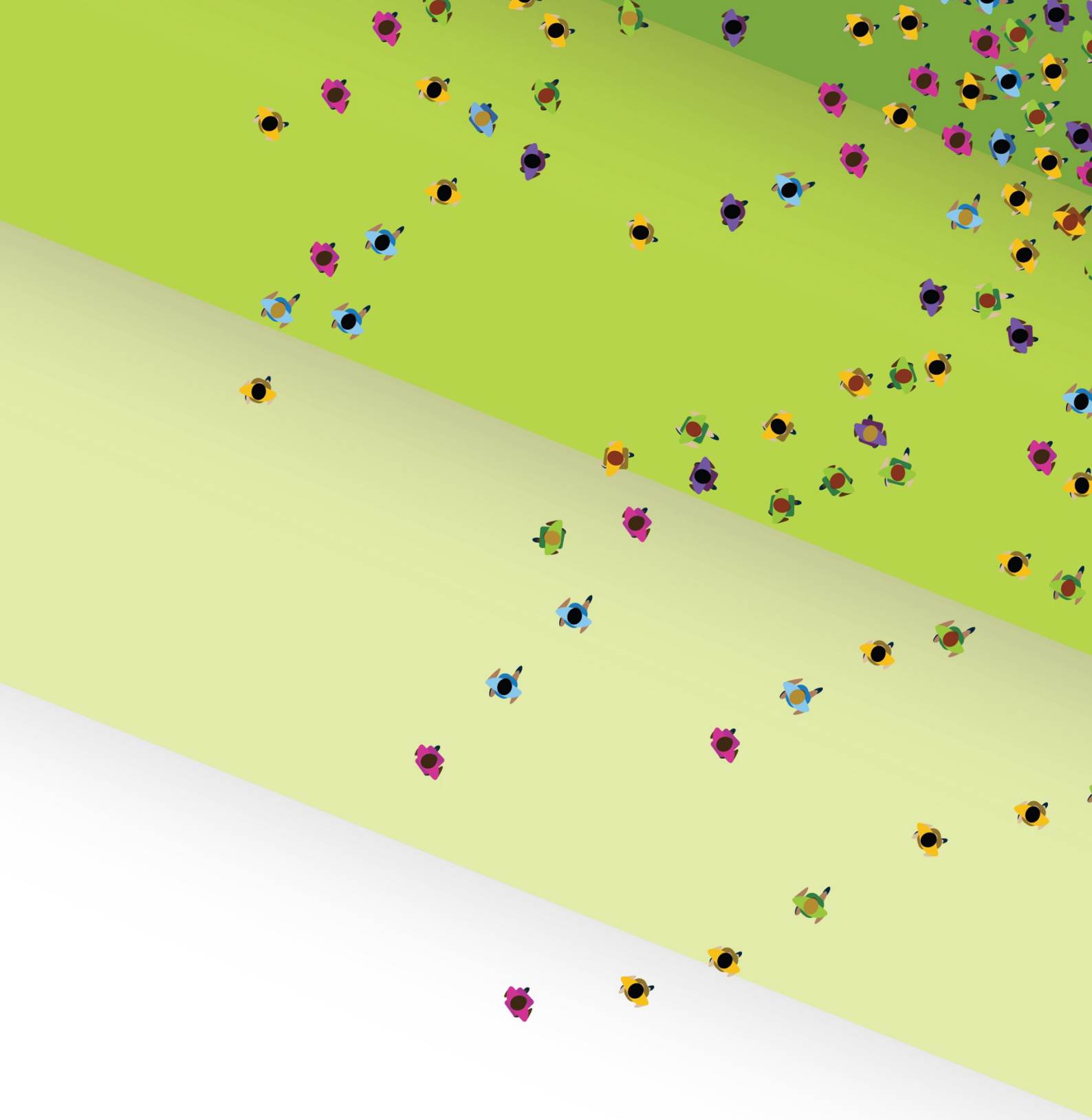
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