



Task Force 3
LiFE, Resilience, and
Values for Wellbeing



DRIVING SUSTAINABLE CONSUMPTION THROUGH POLICY INNOVATIONS IN VALUE CHAINS

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Abstract





Many consumers are now increasingly interested in buying sustainable and climate-conscious or environment-friendly products and services. However, the supply of such products and services remains limited. Further, despite awareness and consumers' intention to choose sustainable options, sustainable purchasing is extremely restricted. This 'intent-action gap' in sustainable consumption needs to be addressed to achieve the goals of sustainable lifestyles, as envisaged by the Indian G20 presidency, especially through the Mission Lifestyle for Environment (Mission LiFE).

This policy brief recommends that the G20 countries work together



in bridging this gap to incentivise sustainable consumption practices, shift consumption patterns, and reform consumption and production behaviour by driving the following policy innovations in global value chains:

- Developing traceable standards to support the credibility of labels and claims.
- Underlining the need for consumption-based emissions accounting to hold individual and institutional consumers to account.
- Making global value chains inclusive and workable for all interested parties.
- Supporting and enabling regulatory actions to address greenwashing.



The Challenge

1



Consumers are increasingly becoming aware of the social, environmental, and climate footprints of products they buy, with a small but growing number inclined to purchasing sustainably. However, governments, businesses, and consumers must confront certain challenges to encourage such sustainable consumption (see Figure 1).

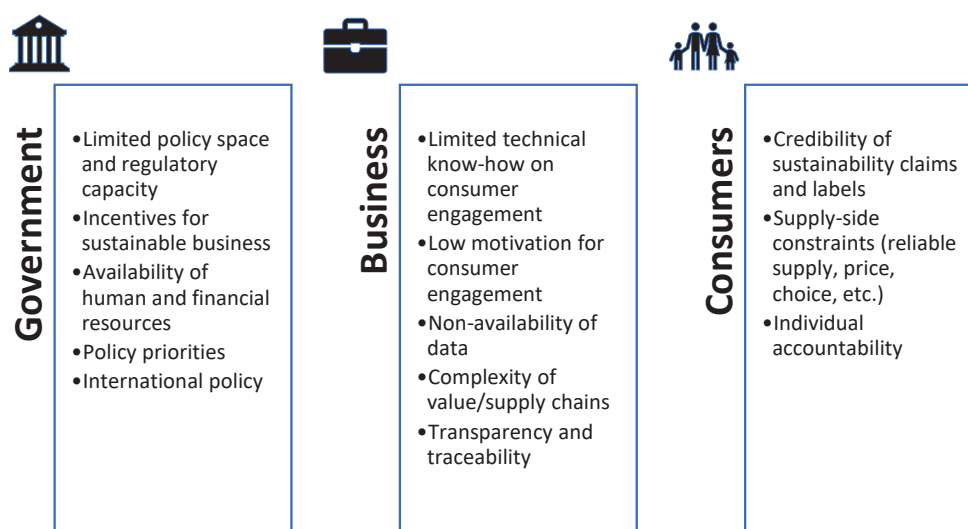
84 percent of all respondents (over 14,000 adult consumers) considered sustainability an important criterion while choosing a product or brand.¹ Further, it revealed that millennials (66 percent of respondent) and people in rapidly growing economies, including India (78 percent) and China (70 percent) are willing to change their purchasing behaviour to help reduce the negative impact on the environment. Other studies establish similar trends.^{2,3}

Consumer engagement

A report analysing consumer perception across nine countries^a revealed that


Still, the market for sustainable products remains limited, despite the increase in consumer preference for sustainable

Figure 1: Challenges faced by key stakeholders in sustainable consumption



Source: Authors' own

^a Brazil, Canada, China, Germany, India, Mexico, Spain, the UK, and the US.



products.⁴ Consumers' awareness of sustainability issues and their intentions to buy sustainable products have not significantly impacted sustainable purchasing, resulting in an 'intent-action gap' in sustainable consumption.

An analysis of existing experiences of businesses on consumer engagement using sustainability information underlines three key lessons to improve consumer engagement:⁵

- Applying the lifecycle approach has helped businesses present a complete view of their products' sustainability performance across all stages of the product lifecycle.
- There is a possibility to utilise hotspot analysis to improve their communication with consumers, highlighting specific ways in which businesses have addressed sustainability challenges.
- Reliance on product sustainability claims helps businesses in brand-building and marketing strategies.

Credibility of sustainability labels and greenwashing

Sustainability labels gained in popularity in recent years and are increasingly used by businesses to assure

consumers about their sustainability performance. However, the proliferation of sustainability labels in some markets seems to confuse consumers and increase the possibility of misleading claims by businesses. Several cases of 'greenwashing' (false or exaggerated claims about environmental or sustainability practices) are being reported.^{6,7,8,9}

The low penetration of certificates, labels, and investments by businesses to engage their customers on the sustainability performance of their products appears to stifle the demand for sustainable products. Therefore, in addition to the limited supply of sustainable and environment-friendly products in emerging markets, poor visibility and limited/confusing information about their sustainability performance deter their uptake.

Certified sustainable products are often expensive for numerous reasons, including cost of the production process (for instance, in case of organic products);¹⁰ investments in processes, systems, and human resources (typical to voluntary standard systems that involve third-party certification); and higher cost of input substitution, among others.¹¹

The reported instances of greenwashing can create doubts among consumers about the sustainability performance of certified sustainable products that are procured at a premium. This has considerable implications on consumer confidence and behaviour in sustainable procurement and consumption.

Limited role of local actors in making global value chains sustainable

Regulators from advanced (importing) countries increasingly aim to foster sustainable global value chains through regulatory measures. Such legislations increase the demand for transparency, verification, and certification along value chains. In the EU, for example, new legislations are being developed under the Green Deal.^b Various other countries, including Australia, the UK, and the US, are also moving in the same direction.


While these legislations have been designed to ensure products meet robust sustainability standards, many

developing countries and emerging economies fear that their companies, small and medium enterprises, and small farmers will be (further) excluded from international markets. Support for and partnerships with producing countries are vital for effective implementation of such legislations. That includes the active inclusion of local actors such as smallholders and communities on the producing end of the supply chains. That is in line with several recent high-level statements call for action to foster locally-led development for improved development and policy effectiveness.^{12,13,14}

Lack of a framework for consumption-based emissions accounting

Consumption-based emissions (CBEs) enable the accounting of greenhouse gas emissions based on the goods and services consumed by a region or populace. Alongside measures to limit emissions at the source, CBEs allow demand-side management by making sustainability a central parameter in

b For example, the deforestation-free product regulations, the Corporate Sustainability Due Diligence Directive, the Corporate Sustainability Reporting Directive (CSRD) with its reporting standards (ESRS), the EU Environmental Taxonomy, the Sustainable Finance Disclosure Regulation.



consumers' decision-making; this is an essential driver of sustainable lifestyles. CBEs can also minimise carbon leakage and the unequal sharing of responsibilities, as they provide a better overview of the disparities in carbon footprints across economic and geographic strata.

Several recent studies point to the need for CBEs and personal carbon accounting/allowances as mechanisms to equitably drive demand-side management of upstream emissions.^{15,16,17,18}

The adoption of CBEs in policymaking remains in its infancy due to many technical and political barriers:


- Accurate and comprehensive carbon footprints of goods and services are unavailable for all geographies.
- CBE-based policies to nudge behaviour must be fair and effective while maintaining public rights to prevent backlash.
- Trade tensions may arise if exports are subject to additional costs due to their carbon intensities being higher than threshold values, set based on a particular geography's conditions.
- Political challenges may arise due to sensitivities around government efforts to influence individual behaviour.



The G20's Role

2





The G20 has played an active role in shaping and strengthening the global architecture, and demonstrated its ability to address contemporary risks and challenges associated with global trade and commerce.

As such, it can consider certain policy options to encourage sustainable consumption. These should be designed to meet three key goals:¹⁹

- **Improving consumption:** When consumers become aware of product sustainability parameters and prevailing, credible sustainability claims and initiatives by businesses.
- **Shifting consumption:** When businesses are motivated to engage consumers through circular and inclusive business models, engage proactively with actors along the value chains to achieve traceability, and engage consumers on sustainable lifestyles.

- **Reforming consumption:** When public policy supports the shift towards sustainable consumption by facilitating resource-efficient production and adoption of principles of the circular economy across sectors.

These goals can be achieved through the following four policy innovation strategies. Additional strategies, such as emissions-based pricing or taxes, can complement these measures from the supply/produce-side. A combination of strategies may be required to entrench sustainable decision-making related to lifestyles.^c

Participatory and traceable standards to support credibility of labels for sustainable consumption

A review of business leaders' insights on sustainability standards highlights that their efficacy in engaging stakeholders, both upstream and downstream, has been somewhat limited.²⁰

c For example, applying differential taxes based on emission intensities would make sustainable-yet-expensive products cheaper, but would make less sustainable-yet-affordable products more expensive. While this is beneficial for bringing about price parity, it may negatively affect economically weaker livelihoods by pricing essential products out of reach. Further, given the realities of developing country enterprises (whose energy and material use intensity might be high due to various external reasons), differential taxes are politically difficult to implement.

Sustainability standards have in-built traceability systems, which provide stakeholders with the requisite data/information related to sustainability performance of businesses (and related sustainability claims). It has been widely accepted that an effective traceability system can assist in determining the reliability of product sustainability claims.²¹


As such, a robust traceability system can help strengthen transparency along supply chains, enabling sustainable consumption-related decision-making. There should be a special focus on the upstream market in terms of inclusion of small- and medium-sized producers (see section on making supply chains inclusive). This is an area for international sustainability standards experts and organisations like the United Nations Forum on Sustainability Standards to consider further work. The G20 can enhance the active inclusion of small- and medium-sized producers upstream in traceability systems by supporting the creation and further development of participatory approaches.^{d,22,23}

Digital product passports and consumption-based emissions accounting to strengthen credibility

Digital product passports (DPP) will allow entities to understand the sustainability metrics of that product at each stage of the supply chain.²⁴ By introducing DPPs for all major commodities, product details (such as sources, processes, and supply chains) can be derived for the end-products consumed. DPPs can go together with environmental product declarations (EPDs) and sustainable product standards by providing a single window of access for a given product's sustainability performance at every stage.

DPPs can support better consumer choices and help businesses align their sourcing and production practices with science-based targets for decarbonisation. DPPs for critical inputs will significantly help businesses and corporations prepare more detailed plans for improving their sustainability credentials, as more information

d Such as the Brazilian Participatory Guarantee Systems, Indian Safe Harvest Private Limited or the Trustea standard for tea in India.



is readily available to make better choices.²⁵ The European Union (EU) has already seen a DPP pilot programme for batteries, will such schemes likely for electronics, textiles, and furniture.²⁶

DPPs can be a critical first step in creating a larger framework for evaluating personal, regional, and national consumption-based emission footprints to broaden the political debate from efficiency to sufficiency. Using CBE accounting, the carbon footprint of consumption through embedded emissions of products can be identified at an individual level. This can be made possible by tracking the DPPs and EPDs of major products consumed alongside the typical data collection by sellers and financial institutions.

Emissions accounting at such a granular level on the consumer side will bring out key differences in consumption patterns and behaviour across different economic and geographic strata. In the longer term, such individual data can be used to assign emissions quotas to limit consumption by disincentivising excessive consumption. Based on consumption data, regulations on


product supply chains and DPP requirements can also be tightened to ensure that products are more durable and long-lasting. Such actions may not be politically feasible at present; however, CBE accounting may likely be necessary for equitable^e climate action^{27,28}

Making supply chains inclusive and workable for all

International disclosure and due diligence legislations need to include mandatory supply chain reporting to incentivise and target corporate and financial actors to transform their investments into sustainability-driven value creation, where products along the supply chains are tracked and environmental and social impacts reported.

A power-balanced dialogue and collaboration between actors across the entire value chain is imperative for developing and implementing sustainability standards. That includes formalised and financially beneficial roles for local actors, such as smallholders

e By comparing the total emissions of an individual who consumes sustainable products at larger quantities versus one who consumes less sustainable but fewer products.



and communities at the producer end of international supply chains. These roles should go beyond those of primary producers or workers in value chains. Local actors need further financially beneficial business opportunities to drive sustainable development at the local level. They could, for example, play a much more active role in certifying sustainable goods and services, supporting companies to collect or ensure required data under due diligence and sustainability reporting/disclosure regulations, and thus help to prevent greenwashing.

Concretely, representative organisations of smallholders, traditional and indigenous communities, or municipalities in proximity to (often remote) areas where the impact of economic activities takes place could support the auditing process to ensure that companies' information is validated. They could develop income opportunities for this service. If the G20 supports, enhances and coordinates the creation of such formalised roles at the heart of new sustainable finance and supply chain regulations developed within its member countries, local actors


could structurally empower themselves and financially benefit from traceable and transparent supply chains.

Supporting and enabling regulatory action against greenwashing

Greenwashing has been classified as an unfair trade practice, and many market regulators (such as those in the Netherlands, UK, Canada, Australia, and Singapore) have initiated actions against reported cases.^{29,30,31,32}

Given the increasing proliferation of sustainability labels, market regulators in Australia, the US, the Netherlands, and France are developing regulatory guidelines to address greenwashing and have advised businesses to desist from such practices.^{33,34,35} Further, in March 2023, the European Commission proposed a set of rules to protect EU consumers against greenwashing and false claims by businesses.³⁶ This is in addition to the availability of guidelines on product sustainability information for consumers^f that could help businesses develop credible claims to engage consumers.³⁷

e In 2017, the United Nations Environment Programme published guidelines on 'Product Sustainability information for Consumers', which are being used by an increasing number of businesses.



Given the implications of greenwashing on sustainable consumption and sustainable business agenda in general, the international community urgently needs to develop guidelines for


regulatory action against greenwashing/false sustainability claims. The G20 can facilitate the creation of such guidelines by working with international organisations and experts.



Recommendations for the G20

3






The G20 can consider:

- Creating an open-source international repository of good practices by businesses on sustainable consumption (this could be added as a ‘new’ indicator under SDG Target 12.6.2 (encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle))
- Adopting a common policy for introducing DPPs for key consumer goods by developing common sustainability indices for products based on local emissions inventories. This policy can be expanded in the future to include services.
- Supporting the creation of a broad data collection, processing, and reporting framework for CBE accounting at an individual level, while ensuring that privacy and freedom of choice are respected and protected.
- Creating a long-term policy for equitable action on demand-side management for consumption practices by utilising the CBE framework to nudge and disincentivise high (material and energy) intense consumption.
- Enabling local actors to be involved in the process of development, implementation, and review of international legislation on sustainable global value chains. For example, integrate local verification of information within the application guidance for sustainability related (ESG) reporting.
- Supporting national market regulators (competition and consumer protection agencies) with a set of international ‘guidelines’ to address ‘greenwashing’.

Additionally, the G20 working groups and engagement groups can consider:

- Strengthening the role and benefits of local actors upstream for effective global supply chain legislations (Trade and Industry Working Group, Sherpa Track)
- Creating participatory and traceable standards to help track specific Sustainable Development Goals (SDGs) (Development Working Group, Sherpa Track)
- Encouraging individual accountability using emission accounting (the G20’s Mission LIFE agenda)
- Enhancing the credibility of claims and action against greenwashing (the G20’s Mission LIFE agenda)



Given the nature of the problem, some of these recommendations are long-term strategies that will require consensus-building, resource mobilisation, and allocation of institutional ownership. The Indian G20 presidency should initiate a dialogue on sustainable consumption

through a new or under any of the existing G20 working groups to ensure these discussions continue during the Brazilian and the South African presidencies to assess their feasibility and move towards implementation.

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