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Re: Senate inquiry into greenwashing

The Australia Institute welcomes the opportunity to make a submission to the Senate's inquiry into greenwashing.

The Australia Institute has carried out a significant amount of work relating to the proliferation and impact of greenwashing in Australia, with particular regard to climate claims.

Australians are increasingly being subjected to an array of ever-growing, ill-defined terms and concepts by corporations attempting to differentiate their brand and market their climate credentials to climate-conscious consumers.

The Chair of the Australian Competition and Consumer Commission (ACCC), Gina Cass-Gottlieb, reported to The House of Representatives Standing Committee on Economics in October last year that greenwashing and false claims of carbon neutrality are of increasing concern to Australian regulators. This is because of the potential risks to consumers but also because of the unfair competitive advantage greenwashing gives businesses. An internet sweep by the ACCC has revealed that over 50 per cent of environmental claims across the energy, vehicle, household product and appliance, food and drink packaging, cosmetic, clothing and footwear sectors are misleading.

The science relating to climate change is unambiguous. To prevent the most catastrophic impacts of global warming absolute cuts to greenhouse gas emissions must be made rapidly and deeply. Yet it appears very few companies promoting their climate achievements can demonstrate that this is what they are doing. An absence of regulation means that it is legal for a business to say it is reducing emissions while increasing emissions.

The overwhelming majority of organisations in Australia appear to be relying on the ambiguity afforded by claims of ‘net zero’ emissions or ‘carbon neutrality’, which often conceal the fact that no emissions reductions are happening at all. Or worse, that their emissions are increasing.

Polling by the Australia Institute shows that while most Australians have heard the terms ‘net zero’ and ‘carbon neutrality’ very few say they know what it means. This suggests that when companies like Telstra, promote even more elaborate and abstract climate achievements such as the ‘enablement of emissions avoidance’, the likelihood of customers and consumers understanding would be even lower.

In Australia there is no overarching government framework that requires businesses to disclose their greenhouse gas emissions comprehensively and transparently. This means that it is largely up to individual organisations to decide what they want to report in corporate sustainability publications—and many do not report at all, while others report only selectively.

This ambiguity and confusion about environmental claims clearly serves the interests of those companies with no genuine plans to reduce emissions while harming the interests of those firms who have managed to reduce their emissions or who genuinely plan to do so. Further, at present, the onus is on civil society to trawl through corporate sustainability reports and decipher the numbers themselves and the meaning behind terms like ‘emissions intensity’ or ‘equity share of emissions’. In the current context, consumers and investors are better served by assuming that all environmental and climate claims are greenwash unless there is clear evidence demonstrating otherwise.

As the Australia Institute has pointed out in its research, the situation we find ourselves in now — scrambling to retrospectively police the abundance of misleading claims by the private sector — has come about because of an absence of adequate regulation by successive Australian governments.

But more than that, it has come about because successive Australian governments have been greenwashing their own climate achievements for decades and have created an entire policy framework that allows and rewards greenwashing by the private sector.

The Australian Government’s carbon neutral certification scheme, Climate Active, certifies Australian businesses who have offset some of their emissions including fossil fuel retailers AGL, Energy Australia, Origin Energy, Ampol and Telstra. Climate Active has certified some of Australia’s biggest polluters and promotes them as “progressive climate leaders”.

This policy context can be explained by the fact that Australian governments have allowed the fossil fuel industry and major emitters to set the country's agenda on climate. Industry has been central in designing the rules that govern them and fossil fuel representatives remain in influential positions within Australia's climate policy bodies.

If the Australian Government's flagship emissions policy the Safeguard Mechanism was assessed against best-practice standards for assessing the credibility of net zero commitments developed by the United Nations, and the International Standards Organisation (ISO) it would fail on all counts. The Safeguard Mechanism is not aligned with science, it allows unlimited use of carbon offsets, fails to account for all emissions and allows increased fossil fuel production. If the government itself is not implementing best practice net zero or science-based policy, it is unclear where the appetite to hold the private sector to account lies.

Policies that entrench fossil fuels in the Australian economy make it almost impossible for the rest of the private sector to decarbonise. As we have seen, this in turn compels businesses to set targets or make claims that look adequate at face value, but that do not actually achieve anything. The end result is a 'race to the bottom' by business.

A critical key step towards regulatory frameworks that protect consumers, shareholders and fair competition from misleading claims is reducing the influence of industry on Australia's policies – regardless of whether it is climate policy, waste, deforestation, biodiversity or other areas that are resulting in greenwash by the private sector.

Our submission consists of this letter and four reports:

- *State-sponsored Greenwash*
A report assessing the credibility of net zero claims of several major Australian businesses. The report demonstrates that the credibility of climate claims made by the private is inextricably linked to the rigour and credibility of government policy. This dynamic must be acknowledged and addressed to understand where net zero pledges and carbon neutral claims in Australia are currently failing and why.
- *Complaint to the ACCC - Climate Active trademarks- carbon neutral claims*
The Australia Institute filed a complaint with the ACCC on the basis that the Australian Government's 'carbon neutral' certification scheme, Climate Active, may be misleading and deceptive under consumer law. Climate Active promotes its trade mark as a way to "stand out from competitors" and make it

easier to “identify and choose brands that are making a real difference” while not appearing to verify whether these brands are indeed “making a real difference”.

- *The Gruene Transfer: Australian Association of National Advertisers: Environmental Claims Code Review*

A submission made to the Australian Association of National Advertisers that suggests that the advertising industry bears some responsibility for the sustainability claims made by industry. An inquiry into greenwashing is well-placed to assess the role of the communications sector and whether it faces adequate regulatory accountability.

- *Polling – Carbon neutrality, net zero and carbon offsets*

The Australia Institute surveyed a nationally representative sample of 1,012 Australians in January 2023, about their attitudes about carbon neutrality, net zero and carbon offsets.

These reports reiterate and expand on the concerns we have raised here in more detail. Collectively, they aim to illustrate that greenwashing is a symptom of a number of complex policy and regulatory failures in Australia.

The Australia Institute welcomes the current inquiry and recommends that the committee clarify the relative roles and responsibilities of governments and individuals when it comes to addressing the significant market failure associated with the imperfect, and at times clearly misleading, information currently being provided to customers and investors.

The Australia Institute would be happy to make representatives available to further consult on this important matter.

Yours sincerely,



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