



Renewable Energy, Carbon Offsets and the Potential for Greenwashing

Over the last several years, the U.S. Federal Trade Commission (FTC) and the Competition Bureau of Canada have taken a stronger stance on green marketing claims. The proof is in the enforcement actions against a wide range of companies for false or misleading product-level green claims. Examples include sweeteners claiming to be “natural”, cleaning wipers and paper plates claiming to be “biodegradable”, a hybrid car claiming to be “fuel-efficient”, bamboo clothing claiming to be “natural” and “antimicrobial”, and window cleaners claiming “environmental safety and soundness”, to name a few.

An increase in claims of carbon neutrality and the “offsetting” of emissions resulting from corporate activities over the last several years has also been noted. Google, Staples, Starbucks, TD Financial Group and General Motors are only a few of the organizations that are promoting reduced impacts through renewable energy, renewable energy credits (RECs) or offset purchases. Even the Academy Awards (in 2007 and 2008) and the 2010 Olympics and Paralympic Winter Games are promoting offset purchases.

Consumers are also being inundated with opportunities to become carbon neutral and/or to offset portions of their daily activities. Offsets can now be included with a variety of online purchases (airline tickets and computers, for example). There are also an abundance of online carbon calculators and organizations selling RECs and offsets available to anyone with Internet access.

Couple the ease of access with the fact that the offsets and renewable energy credit markets are largely unregulated - no single framework exists to ensure that the purchase of offsets or RECs actually reflects reductions in greenhouse gas emissions – and the recipe seems ripe for greenwashing. What is known about the kinds of projects that are generating the RECs/offsets? Are the RECs/offsets really having a positive impact? Who is policing or checking this? Are the RECs/offsets being double counted? These are all important questions in determining the legitimacy of the offset or REC.

Certification programs and tracking systems do exist in the voluntary REC market, and there are many credible offsets brokers. However, climate change is complicated and intangible products like offsets and RECs are not always the easiest to clearly explain to stakeholders and the purchasing public. All of this leaves a potential void that, unfortunately, may be filled by deceptive or misleading claims.

The current FTC and Competition Bureau environmental marketing guidelines provide no specific direction for claims regarding offsets or RECs – these issues weren’t around when the guidelines were published. Will this be a new area of focus for the FTC and the Competition Bureau of Canada?

While it remains unclear whether the FTC and the Competition Bureau will make this an area of focus for future revisions of its guidelines, the FTC has been collecting comments on how to update its environmental marketing guidelines. In January 2008, they held a workshop to specifically scrutinize consumer protection issues and related advertising in the RECs and carbon offsets markets. Although no specific enforcement actions have yet to be taken in this area, the 2008 hearing indicates that this market has indeed piqued the consumer-protection curiosity of the FTC.

The wise choice for any organization looking to combat climate change and to communicate in a genuine and transparent manner with its stakeholders should follow three simple steps:

1. Look for independent validation, verification or certification of any RECs or offsets being purchased;
2. Clearly communicate these purchases to the public (including where the offsets/RECs originate, if they’ve been validated, and how they are being used);
3. Seek advice on the most accurate, yet meaningful, language possible in order to avoid charges of greenwashing.