



Greenwashing

For Prelims: [Greenwashing](#), [Securities and Exchange Board of India \(SEBI\)](#), [Carbon credit](#)

For Mains: Greenwashing & Its Challenges, Effect of Greenwashing on Carbon Market

Source: [IE](#)

Why in News?

The United Kingdom's Advertising Standards Authority (ASA) has banned advertisements from Air France, Lufthansa, and Etihad.

- These airlines face accusations of '[greenwashing](#),' as they allegedly misled consumers by falsely claiming the **sustainability for their flights**, and downplaying the **environmental impact of air travel**.

What is Greenwashing?

- **About:**
 - The term greenwashing was first used in **1986 by Jay Westerveld**, an American environmentalist and researcher.
 - Greenwashing is a deceptive practice where companies or even governments exaggerate their actions and their **impact on mitigating climate change**, often providing **misleading information or making unverifiable claims**.
 - It is an **attempt to capitalize** on the growing demand for **environmentally sound products**.
 - It is fairly widespread, and entities often label various activities as **climate-friendly without verifiable evidence**, undermining genuine efforts against climate change.
- **Examples of Greenwashing:**
 - The Volkswagen scandal, in which the German car company was found to have been cheating in emissions testing of its supposedly green diesel vehicles, was a case of greenwashing.
 - Several other multinational corporations, including oil giants like Shell and BP, and Coca Cola have faced accusations of greenwashing.
- **Concerns:**
 - It creates a **risk of diluting the authenticity of climate goals** by presenting misleading or exaggerated information about environmental initiatives.
 - Entities engaged in greenwashing may receive **unwarranted recognition or benefits**, rewarding **irresponsible behavior**.
 - Greenwashing can distort markets by creating an uneven playing field, where **entities engaging in deceptive practices gain an unfair advantage** over those adhering to genuine environmental standards.
 - The absence of **comprehensive regulations and standards** for environmental claims allows greenwashing to persist without adequate scrutiny.

- The practice of greenwashing introduces challenges to the **integrity of carbon credit systems**, particularly in informal markets, where the expansion of credit sources and certification by unofficial entities raises concerns about transparency and reliability.
 - One carbon credit is equivalent to **one metric ton of carbon dioxide or equivalent greenhouse gases** removed from the atmosphere.
 - The **Kyoto Protocol** introduced the concept of carbon credits. Countries or firms that exceed emission reduction mandates are rewarded with carbon credits.
- **Global Initiatives Related to Greenwashing:**
 - At the **27th Conference of Parties (COP27)**, the **United Nations Secretary-General** has declared **zero tolerance for greenwashing**, urging private corporations to rectify their practices.
 - The **European Union** approved the **world's first green bond standards to combat greenwashing** in October 2023.
 - The "European Green Bond" label mandates transparency, **directing 85% of funds to EU sustainable activities**. The legislation aims to support the EU's climate neutrality transition.
- **Laws in India Related to Greenwashing:**
 - Greenwashing is designated as an unfair trade practice under the **Consumer Protection Act, 2019 in India**. The Act prohibits such deceptive claims and outlines penalties and remedies for consumers adversely affected by these misleading practices.
 - In February 2023, the **Securities and Exchange Board of India (SEBI)** issued guidelines for issuers of **green debt securities** to ensure transparency and avoid greenwashing.
 - The guidelines are intended to protect investors, promote the development of the securities market, and regulate it.
 - The **Advertising Standards Council of India (ASCI)** plays a regulatory role in monitoring advertising practices and holds some jurisdiction over allegations of greenwashing.
 - The ASCI, a voluntary self-regulatory organization in India, ensures ads are **legal, honest, and fair**, safeguarding consumer interests and **promoting fair competition**.

Way Forward

- Hold companies accountable for their environmental actions and inactions. Consumers should demand that companies **disclose their environmental policies** and practices, as well as their progress and challenges.
- Support green businesses and initiatives that have a **proven track record of environmental performance** and social responsibility.
- Implement comprehensive regulations and standards for environmental claims to ensure transparency and accountability.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q. Which one of the following best describes the term “greenwashing:”?(2022)

- (a) Conveying a false impression that a company’s products are eco-friendly and environmentally sound
- (b) Non-Inclusion of ecological/ environmental costs in the Annual Financial Statements of a country
- (c) Ignoring the disastrous ecological consequences while undertaking infrastructure development
- (d) Making mandatory provisions for environmental costs in a government project/programme

Ans: (a)

Q. Regarding “carbon credits”, which one of the following statements is not correct? (2011)

(a) The carbon credit system was ratified in conjunction with the Kyoto Protocol

(b) Carbon credits are awarded to countries or groups that have reduced greenhouse gases below their emission quota

(c) The goal of the carbon credit system is to limit the increase of carbon dioxide emission

(d) Carbon credits are traded at a price fixed from time to time by the United Nations Environment Programme.

Ans: (d)

PDF Reference URL: <https://www.drishtias.com/printpdf/greenwashing-3>

