



Greenwashing

For Prelims: Greenwashing, Carbon Credit

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

Why in News?

Recently, the **United Nations Secretary General** has warned private corporations to desist the practice of **Greenwashing** and mend their ways within a year.

- The general has also directed to **set up an expert group solely to look into the practice.**

What is Greenwashing?

▪ About:

- The term greenwashing was first used in 1986 by Jay Westerveld, an American environmentalist and researcher.
- Greenwashing is the practice in which firms and governments **mark all kinds of activities as climate-friendly**, as something that would lead to emissions reduction, or avoidance of emissions.
 - Many of these claims are **unverifiable, misleading, or dubious.**
 - While it helps in boosting the image of the entity, **they do nothing in the fight against climate change.**
 - Several multinational corporations, including oil giants like Shell and BP, and Coca Cola have faced accusations of greenwashing.
- Greenwashing is prevalent across a whole range of environmental activities.
 - Developed countries are often accused of **greenwashing their normal business investments in developing countries** by highlighting climate co-benefits of the financial flows, sometimes with very little justification.

▪ Impact of Greenwashing:

- Greenwashing presents a **false picture of the progress being made on the climate change front**, pushing the world towards disaster, while at the same time, rewarding entities for irresponsible behaviour.

▪ Challenges in Regulating:

- The processes and products that can potentially cut emissions are so many that it is **practically impossible to monitor and verify all.**
- The processes, methodologies and institutions to measure, report, create standards, verify claims and grant certifications are still being set up.
- Large number of organisations have sprung up claiming expertise in these areas and offering their services for a fee. Many of these organisations lack **integrity and robustness**, but their services are still availed by corporations because it makes them look good.

How does Greenwashing Affect Carbon Credits?

▪ About Carbon Credit:

- A [carbon credit](#) (also known as carbon offset) is a **credit for greenhouse emissions reduced or removed** from the atmosphere by an emission reduction project, which can be used by governments, industry, or private individuals to **compensate for the emissions** they generate elsewhere.
- Those that cannot easily reduce emissions can still operate, **at a higher financial cost**.
- Carbon credits are based on the "**cap-and-trade**" model that was used to reduce sulfur pollution in the 1990s.
- One carbon credit is equal to **one metric ton of carbon dioxide**, or in some markets, **carbon dioxide equivalent gases** (CO₂-eq).

▪ Effect of Greenwashing on Carbon Credit:

◦ Informal Markets:

- There are **now credits available** for all kinds of activities such as for growing trees, for planting a certain kind of crop, for installing energy-efficient equipment in office buildings.
 - The credits for such activities are often certified by unofficial third-party companies and sold to others.
 - Such transactions have been flagged for lack of integrity and double counting.

◦ Credibility:

- Countries like India or Brazil had accumulated huge carbon credits under the [Kyoto Protocol](#) and wanted these to be transitioned to the new market being set up under the [Paris Agreement](#).
 - But many developed countries resisted this, questioning the integrity of the credits and claiming they did not accurately represent reductions in emissions.
 - Carbon offsets from forests are one of the most controversial.

Way Forward

- Corporations pursuing [net zero targets](#) **must not be allowed** to make fresh investments in fossil fuels.
 - They must also be asked to present short-term emission reduction goals on the path to achieving net zero.
- Corporations **should also use offset mechanisms at the start of their journey** to net-zero status.
- Priority should be focused towards the **creation of regulatory structures and standards** to monitor greenwashing.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

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)

Exp:

- Emissions trading, as set out in Article 17 of the Kyoto Protocol, allows countries that have carbon emission units to spare (i.e., the difference between total emission cap and emission done) – emissions permitted to them, but not “used” – to sell this excess capacity to countries that are over their targets.
- If a country emits less than its target amount of hydrocarbons, it can sell its surplus credits to countries that does not achieve their Kyoto level goals, through an Emission Reduction Purchase Agreement (ERPA).
- Certified Emission Reductions (CERs) are a type of emission units (or carbon credits) issued by the Executive Board of Clean Development Mechanism (CDM) for emission reductions achieved by CDM projects.
 - It is verified by a DOE (Designated Operational Entity) under the rules of the Kyoto Protocol.
- The Sustainable practices and application of eco friendly technologies produce carbon-credits that could be traded. Thus, it leads to reduction in GHGs emission as it creates a competitive and remunerative market. The United Nations’ Intergovernmental Panel on Climate Change (IPCC) developed the carbon credit regime as a “market-oriented mechanism”.
- **Therefore, option (d) is the correct answer.**

Mains

Q. Should the pursuit of carbon credits and clean development mechanisms set up under UNFCCC be maintained even though there has been a massive slide in the value of a carbon credit? Discuss with respect to India’s energy needs for economic growth. **(2014)**

[Source: IE](#)

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