



Room 924, 9th floor, Murray Building, Garden Road, Central, Hong Kong  
Tel: 2848 2606 Fax: 2530 5264  
香港中環花園道美利大廈9樓924室 • 電話：2848 2606 傳真機：2530 5264

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**for information**

## **Green Consumerism** **Eco-Labelling Scheme for Hong Kong**

### **Background**

The Second Review of the 1989 White Paper on pollution in Hong Kong emphasizes the responsibility of the community at large to protect the environment and the need to develop green consumerism in the territory. The development of green consumerism or green purchasing habits can create a market force to drive environmental considerations into household, commercial and industrial practices. In addition, it can also tackle the waste management problem through a preventive approach which can achieve considerable savings in waste collection, treatment and disposal costs. There are other environmental benefits associated with green consumerism such as conserving resources and energy, sustaining bio-diversity and thus achieving environmental sustainability. Green consumerism can be developed and facilitated by both eco-labelling schemes and green purchasing practices. The former are generally directed at general consumers whereas the latter are developed to supply relevant environmental information to purchasing departments of large corporations and government departments.

2. To investigate the potential effects of eco-labelling to Hong Kong's export industries, the Industry Department commissioned a study in 1994 to explore the feasibility of developing an eco-labelling scheme in Hong Kong. The study aimed to:

- obtain information regarding the experiences and views of other countries who already had a programme or were about to establish eco-labelling schemes; and
- obtain views of Hong Kong industries on the establishment of local eco-labelling schemes.

3. Moreover, the Environmental Protection Department commissioned a consultancy study in February 1996 with the following objectives:

- to assess the suitability of various Life Cycle Assessment methodologies for local application;
- to evaluate the feasibility of an eco-labelling scheme in Hong Kong; and
- to promote green consumerism as a long-term goal.

4. This paper briefs Members on the findings of the two studies.

### **Eco-Labeling Schemes**

5. Eco-labelling scheme is a voluntary system of awarding a logo to products judged to be less harmful to the environment than comparable products. Informed consumers can preferentially buy these products and thus exercise market pressure on industries to use cleaner production processes. An eco-label is developed for a specific product function, for example lighting, product types that are manufactured to meet this function can then apply for the ecolabel and be tested against environmental criteria. In this way, the environmental merits of different alternatives for carrying out the same function are compared and ecolabels awarded according to the outcome.

6. Eco-labelling schemes were first introduced in Western countries to help clean up their environment. Governments have normally played a leading role, but industry support and promotion are crucial to their success. Eco-labelling has now spread to developing countries, particularly in Asia, where the motivations are more related to meeting overseas customers' requests for cleaner products. So far there has been little concrete evidence of loss of markets through eco-labelling, but the concern remains in exporting countries about future requirements for environmental certification.

7. The first country to introduce an eco-labelling scheme is Germany and the "Blue Angel" eco-labelling scheme was established in 1977. As of 1996, the scheme has already established 73 product category criteria and awarded 3,800 products with the Blue Angel label. Other nations including Canada, Japan, the United States, the Nordic Council, and the European Union followed Germany in starting their own eco-labelling schemes. Annex A summarizes the key aspects of some of the most well-established and effective eco-labelling schemes.

8. Currently, there are about 30 different types of ecolabels being used overseas to promote green consumerism. With the proliferation of national environmental labelling programmes, there are concerns for the need to harmonize eco-labelling schemes to achieve some internationally accepted standards. At the moment, there is no agreed standard nor has mutual acceptance of eco-labelling schemes been achieved. However, there is considerable work going on. The most active work is being carried out by the International Organization for Standardization (ISO), which promulgates three main types of ecolabels:

- Seal of Approval (ISO Type I): This is a third-party scheme where a manufacturer is licensed to use a mark owned by an independent body. A logo can be used for the products which successfully pass a test. This type of label allows consumers to recognise instantly those products with the label are leading performers in environmental terms.

- **Self Declaration Environmental Claims (ISO Type II):** This type may be made by manufacturers, importers, distributors, retailers or anyone else likely to benefit from such claims. For example, claims may take the form of statements, symbols or graphics on product or package labels, product literature, technical bulletins, advertising, publicity, telemarketing, etc. This kind of 'first-party' claim does not carry the independent objectivity of third-party (Type I) assessment.
- **Sharing Environmental Information (ISO Type III):** This scheme is also run by an independent third-party body but is different from Type I labelling in that there are no fixed criteria a product must meet to use the label. The label simply shows how the product performs against other similar products in terms of key environmental aspects, such as emissions to water and air.

9. The "Seal of Approval" (ISO Type I) approach is commonly used overseas for eco-labelling schemes, whereas the "Sharing Environmental Information" (ISO Type III) approach is more commonly adopted for Green Purchasing.

10. Apart from the proliferation of numerous eco-labelling schemes in different countries, the studies also revealed the following key issues which render the feasibility of establishing an eco-labelling scheme in Hong Kong highly questionable:

- (a) Hong Kong consumers are not yet as environmentally educated as those in some western countries. It is at least doubtful whether the introduction of a local ecolabel at this time would be effective in improving the local environment. It could be argued that an eco-labelling scheme may facilitate improved environmental awareness in Hong Kong. However, as has been discovered overseas, without the community support large amounts of money may be spent in developing the scheme and environmental criteria for different product ecolabels with no application from industry for the labels.
- (b) Another major consideration in the success of eco-labelling scheme in Hong Kong is the size of the local manufacturing base and therefore the extent to which environmental criteria are specified for onshore versus offshore processes. All successful eco-labelling schemes overseas have been developed in countries with a large local manufacturing base. Over the last decade, there has been a dramatic restructuring of Hong Kong's economy. Many manufacturers have moved their assembly-type production to areas where land and labour are cheaper, notably Southern China. In a situation where manufacturing occurs offshore, any product environmental criteria related to manufacturing may improve the environment overseas but not the environment for the country administering the scheme. Also, this approach may not be consistent with our obligations under the WTO which prohibits its members

including Hong Kong from restricting import of products on the basis of “non-product related processes”, such as wastewater treatment or air pollution control technology applied during manufacturing outside one’s territory. Moreover, as Hong Kong has a small and shrinking local manufacturing base and the majority of our products are imported, the use of eco-labelling criteria for the raw material and manufacturing stage of a product life cycle that occurs offshore would not be a practical proposition.

- (c) Market penetration of eco-labelling has been slow in most countries. Overseas eco-labelling schemes are targeted nearly exclusively at the local population. The premise is that the local community will recognize and respond to “their” label rather than an overseas label. For the local industry to apply for the label, they need to be convinced that their increased market share with the label will offset the costs of application and the costs for upgrading their processes to be awarded the ecolabel. Today, there is limited information on consumer recognition of ecolabels and little proof of any increase in product sales as a result of the award of ecolabels. Moreover, it is extremely difficult to measure whether eco-labelling has had a positive effect on a country’s environment. As a result, Hong Kong’s industry representatives have made it absolutely clear that they would not proceed with an application for an ecolabel until they had completed this evaluation and could prove that there is a relationship between an increase in market share and established overseas eco-labelling schemes.
- (d) The experience of almost all of the existing ecolabel programmes has been that they require start-up and continuing government financial support. None are as yet fully self-financing.

### **Green Purchasing**

11. The second tool to facilitate the development of green consumerism is green purchasing. It can be defined as a set of measures usually adopted by governments or large corporations to include environmental considerations into their procurement process. By purchasing products that have a lower environmental impact arising from the raw material, production, use, or disposal phases of a product life cycle, organizations can help realize environmental objectives such as waste reduction and energy conservation. In addition to fostering direct environmental benefits, green purchasing can create a positive incentive to produce environmentally friendly products by opening up new markets for such products, and closing or reducing markets for products that are environmentally harmful.

12. Review of overseas green purchasing practices shows that Australia, Canada, Germany, Netherlands, and the United States have developed specific environmental purchasing requirements or guidance and have incorporated these into their federal and/or state procurement policy. Moreover, Japan has a firm commitment on green purchasing and the cabinet has promulgated an action plan in 1995 to set out the targets for various green purchasing initiatives.

### **Recommendations**

13. In the light of the above findings from the two studies, there is little in either study to justify an early introduction of green labelling schemes in Hong Kong. We do not wish to rule out the possibility of introducing one at a later date, however, we would not want to raise false expectations.

14. Meanwhile, the Government is taking actions on the following:

- To actively monitor overseas developments in eco-labelling with a view to developing and implementing a scheme in Hong Kong when it can be shown more conclusively that eco-labelling will be an effective mechanism to achieve local environmental protection objectives.
- To pursue green purchasing by laying down more environmentally friendly specifications where appropriate in its purchase of goods. This process will start off in a realistic, pragmatic, and step-by-step manner. A working group, comprising representatives from the Government Supplies Department, Environmental Protection Department and other concerned departments is formed to establish "green specifications" for products on a "case by case" basis. After assessing the costs and benefits, the Government will decide whether to purchase a particular product using the green specifications.

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