Mandatory Ecolabelling Policy Design: A Case Study of Brazil

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Abstract

Protecting the environment has progressively become a common ground in the public debate. Nowadays, several societal actors such as politicians, policymakers, companies, non-governmental organisations (NGOs) and citizens are actively involved in discussions over this subject.

In this context, the multiplicity of objectives that can be considered by society is matched by the variety of policy instruments available to pursue them. Looking from a historical perspective, it is possible to state that these mechanisms have been changing over the years and acquiring different features. First, considering the existence of government failures, regulatory tools seem to arise not only from the State: self regulation and other mechanisms are increasingly gaining relevance. Second, the scope of these new policies frequently go beyond traditional schemes such as imposing taxes, subsidies or sanctions: new strategies of governance seem to focus on reducing information asymmetries between firms, consumers and other stakeholders.

Ecolabelling, in this scenario, is one mechanism that has been spreading worldwide and gaining attention in the environmental policy debate. Ecolabellings consist of on-pack certifications that condense information regarding the environmental impact of products and services. As stated by the specialised literature, the main aspect of ecolabelling as a policy instrument is that it may reduce environmental damage by shifting production towards green firms, through nudging consumers and other stakeholders into a more conscious consumption and shaping their behaviour with little or no additional costs for producers.

Despite this potential positive impact toward more informed decisions by consumers, the results obtained by the provision of such policies will vary according to its institutional design and implementation. In fact, as seen in research studies on general

labelling policies such as cigarette pack warning labels and front-of-pack nutrition labels, several features can impact policy results, creating a field for debates on institutional choices.

Based on these debates, this paper discusses the Brazilian Congress proposal for carbon dioxide ecolabelling. The proposal determines a mandatory labelling of every product commercialised in Brazil, exhibiting the amount of carbon dioxide emitted during its life cycle, from extraction to final consumption. Moreover, according to the proposal, all sanctions established by the Brazilian consumer protection law are applicable if a company refuses to adhere to the ecolabelling policy. We hold, in fact, that this regulatory experimentalism can be framed within a dismantling of governmental environmental policies in Brazil, in direction to new strategies that, although not suppressing the role of the State, can rely on shaping the behaviour of societal actors.

Considering the Brazilian case in contrast with the literature and with other proposals for mandatory ecolabelling, such as the revision of European Ecodesign Directive (Directive 2009/125/EC), we argue that ecolabelling policy design faces three main issues: definition of its scope, enforcement, and societal engagement.

First, we highlight that the policy scope design is one of the key challenges for labelling policies, especially relating to setting standards, data collection and label design. In the Brazilian case, we sustain that broad mandatory provisions may fail to bring effectiveness to the policy. Supported by other studies, we argue that there are three main dimensions of scope that must be considered by ecolabelling policies: (i) what information should be disclosed, (ii) how to expose such information, and (iii) what the thresholds are, in terms of both regulated products and agents, for the mandatory disclosure. To explore the alternatives linked to these dimensions, we hold that developing personalised strategies is central to effectively informing consumers and shaping their behaviour.

Second, regarding the policy enforcement design, we highlight the necessity of discussing the enforcing authority(ies) (governmental or not), as well as specific and progressive schemes of sanctions and incentives for regulated entities, aiming to guarantee the effectiveness of ecolabelling proposals. Instead of advocating for strict top-down or command-and-control systems, as seems to be the case with the Brazilian proposal, we assert that the ecolabelling policies can be improved by a set of tools.

These would both develop a centred or even multi centred enforcement authority and design a specific chain of progressive sanctions and incentives.

Finally, by affirming the intrinsic polycentric nature of regulation, we argue that an active role of stakeholders in governance practices is fundamental for ecolabelling policy design. In this sense, based on the economic literature on policies for common pool resources (CPRs), with respect to the environment, we hold that cooperative and horizontal governance arrangements, around diverse and opposing actors, such as consumers, firms, and NGOs, may represent a key role in both modelling the ecolabelling operation, and increasing its effectiveness over behaviour. According to the Brazilian case, although the proposal does not cover any provisions in this sense, we draw attention to the fact that that the country has already been experimenting with incipient schemes of ecolabelling carried by technical associations, and self-regulatory mechanisms for regulating advertising – which could be beneficial for the progression of an agenda for the development of institutional mechanisms for policy engagement around the ecolabelling proposal.

Overall, beyond a case study, this paper aims to provide a platform for the debate on the rational design of ecolabelling policies, composing the broad array of diverse and complementary measures that can be undertaken in environment protection and regulation.