Opinion | Greenwashing Threatens the Paris Agreement: Can We Trust Corporate Climate Pledges?

October 6, 2024

False and misleading environmental claims have become more common; this practice is known as 'greenwashing'. (Getty)

The Paris Agreement's ambitious goals depend on the active participation of the corporate world. But a pervasive culture of greenwashing – where eco-friendly promises often mask inaction or even deception – is eroding the trust essential for meaningful climate action

With COP29 scheduled for November this year, it is imperative to revisit the critical role of 196 parties in meeting the Paris Agreement's goal of limiting global warming to 1.5°C by the end of this century. While major emitting countries play a crucial role in the implementation of the Paris Agreement, it is equally important to seek the contributions of big businesses and large corporations to achieve this target.

The increasing pressure to mitigate climate change and transition towards net-zero solutions is driving businesses to meet carbon neutrality targets. Zero-carbon solutions are becoming competitive across various economic sectors. The role of businesses and other organisations in averting the worst impacts of climate change requires greater attention. However, the growing prevalence of greenwashing could pose a significant challenge to these efforts.

Role of Green Consumerism

For consumers, going green is becoming increasingly important. Many young consumers, particularly Millennials and Gen Z-ers, are keen to buy from “ethical” companies and look for “sustainable” labels. Unilever estimates that almost 70 per cent of the company’s greenhouse gas footprint depends on the products consumers choose and whether they dispose of them in a sustainable manner.

As consumers become more environmentally conscious, companies are also striving to reduce the carbon footprint of their products, systems, processes, and services across different stages—from research and development to disposal—as part of their environmental management efforts. Pressure from stakeholders, investors, and consumers is driving businesses to implement carbon offsetting programmes to mitigate their environmental impact, thereby demonstrating a commitment to sustainability. At least on the surface.

For example, McDonald’s had pledged to reduce greenhouse gas emissions by 30 per cent by 2030, even though the company’s emissions in 2021 were higher than its 2015 baseline. Starbucks eliminated plastic straws from all its stores worldwide with the aim of reducing waste sent to landfills from its stores and manufacturing by 2023; however, the company is now under fire as the new CEO plans to commute to the office by private jet.

These targets aimed at mitigating climate change not only demonstrate corporate commitment to sustainability but also offer financial benefits by meeting both consumer and investor demands. Studies have shown that consumers are more likely to purchase green products when they believe that the companies selling those products take green marketing seriously, are knowledgeable about green products, and share their values. Moreover, such moves can attract ESG-conscious investors, who are increasingly looking to invest in companies that prioritise environmental, social, and governance factors in their everyday practices.

Today’s investing models are constantly evolving. Investors are not only considering financial returns but also the overall impact of a company’s operations. ” rel=”noopener” target=”_blank”>Environmental, social, and governance (ESG) factors are increasingly getting recognised as essential tools in combating climate change.

Investors increasingly demand investment-grade information on climate change and ESG performance to understand the relationship between climate change and investment risk. This compels companies to disclose the potential impact of climate change on their operations and detail the risk management strategies they have implemented to address these challenges. With significant financial resources and innovation, the pressure on leading corporations is greatly intensified to portray themselves as sustainable in the market. To secure ESG credentials, businesses are provoked to resort to means that could be misleading to consumers and investors.

What is greenwashing?

The reality behind corporate environmentalism can be disappointing. TerraChoice reported that over 95 per cent of products examined in a study commit one or more of the "sins of greenwashing", indicating that deceptive marketing practices and false information have long existed in commercial activity.

Lately, false and misleading environmental claims have become more common; this practice is known as "greenwashing." There are various definitions of greenwashing from different perspectives, but the term primarily refers to the marketing practice of making unsubstantiated claims about a product or service as ethical, sustainable, eco-friendly, carbon neutral, or organic. For example, a mining business might emphasise the decarbonising advantages of its solar power plant while downplaying the hazardous chemicals it emits.

Different levels of greenwashing

Greenwashing can be a practice of misleading consumers regarding the environmental practices of an organisation, known as firm-level greenwashing. For example, in response to concerns about growing plastic pollution, McDonald's decided to switch to paper straws. The company labelled its paper straws as "eco-friendly", even though they could not be recycled. In this case, the company is using ambiguous terms like "eco-friendly" or "green" without clear definitions or criteria.

The Think Pink scandal in Sweden is another significant example of environmental harm due to corporate negligence. Think Pink, once a revered Swedish Waste Management company, was exposed for its illegal practice of dumping 200,000 tonnes of hazardous waste at 21 different locations across Sweden. This toxic dumping released high levels of arsenic, lead, dioxins, copper, zinc, petrol products, and carcinogenic chemicals known as PCBs into the air, water and soil. In this instance, the company collected waste with no intention or ability to recycle it in accordance with legislation.

The second type of greenwashing occurs when a company misleads consumers regarding the environmental benefits of a product or service, known as product/service level greenwashing. In 2019, Volkswagen was called out for its "clean diesel" claim. Portraying itself as a leader in sustainability and environmental responsibility, the company claimed that its Diesel TDI engines significantly reduced emissions and met emissions standards. However, in 2014, a study by the International Council on Clean Transportation (ICCT) on modern diesel cars analysed the emissions produced by Volkswagen during normal driving conditions. The study highlighted that Volkswagen diesel cars emitted nitrogen oxide (NOx) at levels seven times higher than their emissions testing. This was because Volkswagen used software known as a "defeat device" to switch to low-emission mode when it detected an emission test situation. Following this, the company experienced a notable decline in sales.

As consumer awareness about climate change increases, concerns around greenwashing are also rising. The impact of greenwashing is detrimental to our collective progress toward achieving global climate goals. As no government or organisation can meet the Paris Agreement goals alone, there is a need for collaboration between businesses, governments, and stakeholders. A report published by Baker McKenzie, titled The Race To Net-Zero, indicates that while there is a significant commitment among companies to achieve net zero by 2050, the actual progress may not be as substantial as their pledges suggest. Even though companies like Starbucks are making public commitments to sustainability, whether these commitments translate into meaningful actions is a bigger question.

Bhavya Tandon is an Assistant Professor at Jindal Institute of Behavioural Sciences. Views expressed in the above piece are personal and solely that of the author. They do not necessarily reflect News18's views.

first published:October 06, 2024, 15:33 IST

last updated:October 06, 2024, 15:33 IST