

SUMMARY REMARKS

ECOLABELLING AND CERTIFICATION ROUND TABLE

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It has been a very interesting two days, bringing together such diverse views on this important issue

A number of issues have been clarified in discussions

BACKGROUND

This workshop is part of the work program of the OECD Fisheries Committee, launching its three year work program in this area. When we discuss “where to from here?” for the Committee this means “where shall we focus our three year effort?”

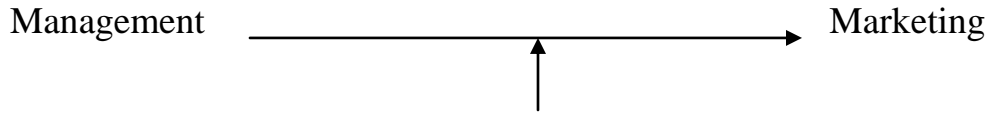
If we have a chance for discussion here this would be an area of opportunity – where from your point of view could an organization such as OECD best add its value?

We should step back and ask where the project originated from – how it rose to the top of the Committee’s priorities.

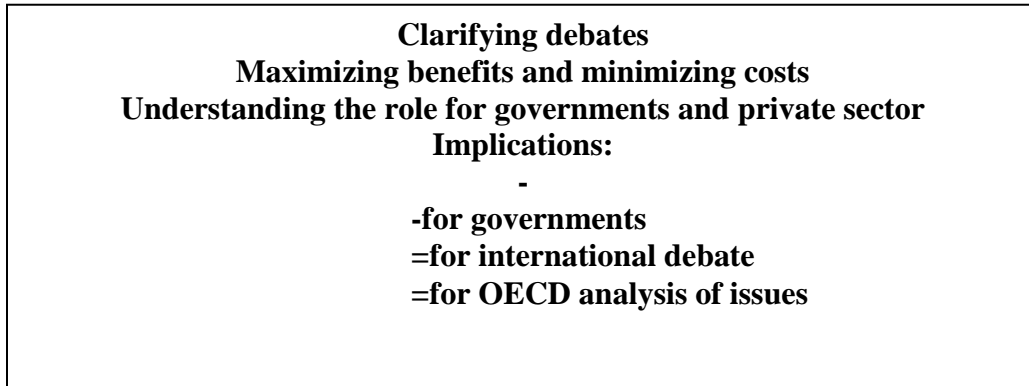
Market measures are an important part of OECD discussions; how aligning economic incentives assists in reaching efficient policy solutions. Not surprising that we would be supportive of ecolabelling as one tool to help support sustainable policy. Interested in the topic as:

- a part of the new market landscape, As said here: certification and ecolabelling are here to stay
- but under our globalization work, we met a number of buyers who introduced a new dimension to understanding of market measures – what is now called here “choice editing” or in this context, “selecting certification/labels that products will have to meet to be accepted for sale”.

- an interesting mix of marketing/branding issues at the retailing end of the value chain and issues related to mixing management and sustainability, with public and private roles.



Issues



The OECD Committee discussions in its last project on globalization (as have these discussions) emphasized the positive lever that ecolabelling can provide for change: to align incentives; accountability for implementing intended policy directions; create information systems; harness market power to force change etc.

But the OECD globalization discussions also emphasized new developments such as the increasing globalization of the value chain, the increasing market power of buyers and retailers, retail branding and the new issue of “choice editing”. In this context of sustainability labelling, means a product can be excluded from a market due to perceptions of the retailer/buyer about whether governments have lived up to obligations for good management.

- On one hand, creates positive incentives linked to long term food security
 - issue raised also in the round table
- Also risk of *de facto* barriers to trade and issues for public authorities/fishing industry

If States make such decisions, then there is recourse to WTO if policies or standards inappropriate, If states do on behalf of retailers (like any

inappropriate COOL laws) then also possibility of ultimate recourse to WTO.

What does it mean if private systems do it?

What does it further mean if buyers do it for private branding – ie leading consumers?

Impacts on:

- Policy
- Trade
- Fishing industry and communities
- Development objectives (developing countries)
- Etc

So that is the context of some of how this issue has arisen and why we are here at the Roundtable.

ISSUES

Are there too few labels or too many? Does it matter ?

In my presentation I offered that we might think of the ecolabelling issue as a result of interaction of several markets and conditions for efficiency and market failure

- Product market

- **Market for labels and certification**

- Market for government resources

I asked if we have views on the optimal structure of market for labels. Some felt in terms of numbers alone, there are not too many ecolabels.

Others disagree, especially taking into account the number of campaigns.

We heard from buyers in globalization study as well as here, and the choice editing issue is perceived as essential because of too large number of labels...

After this discussion I would look at the question differently but still in context of a framework of a “market” for labels: does it help us unify positions?

We know when we were talking of product markets that one of the benefits of ecolabelling was the provision of information on “credence values” to consumers of goods in relation to sustainability.

In this labelling market the “demand| side is *consumers, retailers, and governments*. I outlined that there may be market failures from information asymmetries and market power in each of these markets.

Ecolabels or campaign proliferation is not a problem if the “client” is able to distinguish clearly how the labels differentiate themselves and relate to preferences, just like in product markets.

We are really possibly not talking here about the “number of labels” but actually a market failure – lack of information on the “credence values” of labels themselves, causing information asymmetries in the market for labels.

In such a case even a few labels can be too many. It fosters competition among them (as we saw in Roundtable).

- *Consumers* are unable to understand or clarify information imparted by them; leads to proliferation of “campaigns” trying to operate on consumer references directly and affecting their choices among labels
- *Retailers* are trying to protect shareholder value; want information on credence values to protect their retail brand in their market segment – to avoid having to set up expensive validation processes of the sort we heard about from BirdsEye in the Roundtable.
- *Governments* want to know the attributes of labels so they know where to possibly invest any effort they are willing to expend in assisting ecolabelling processes (such as provision of data and information to certification processes etc) and wish to know the credibility of the operation ‘grading’ their management outcomes so as to know where and how to invest in system improvements. Also wish to know what kind of labels are affecting trading risks.

Each of these clients has different risk tolerances. Consumers: ethical issues. Retailers: shareholder risk. Governments: impacts on trade and governance (including accountabilities).

- In the latter case we are seeing that some highly risk-averse governments may have decided that risks are too high, and are developing own labels – either self-certified or third-party certified (e.g. Iceland).

This takes us naturally to the issues of

Benchmarking

This issue arose as a key one throughout the discussions. Benchmarking would assist in identifying the attributes of labels, and would identify core or base elements that might lead to some equivalency. Those working in the area of safety standards/labels were especially comfortable with the concept of benchmarking, which actively goes on in that domain.

Need to be careful here. Governments have already spoken to their views of “benchmarks” through reference to the FAO’s CCRF and subsequently to the FAO’s ecolabelling guidelines,

These are *comprehensive minimum* standards

We don’t want to harmonize “down” from these rigorous standards, especially if a number of “labels” seeking equivalency have cherry picked from among these requirements, and now wish to be validated as equivalent to more rigorous labels.

Certifiers probably hold the most information about the various labels that they are working for. We should harness that information. But who would organize such an effort? FAO? (Already asked by some through FAO COFI)

We also need to wary of subtle differences among labelling goals. For example Friends of the Sea claims to be focused on the sustainability of stocks themselves – does the product come from a *sustainable stock*? Others such as MSC are focused on whether a product comes from a fishery that is *sustainably managed*? These are different.

- Note that the latter approach is perhaps is more amendable to using the certification standard for capacity building exercises and accommodate, potentially, transitional fisheries (those in transition towards increased sustainability).

Standardizing or certifying certifiers

What about the certifications? There has been a lot of discussion about standards. We do not have management standards for fisheries.

We have *obligations* in international law and soft law/frameworks
We have *guidelines* that help implement these obligations (e.g. CCRF, CCRF Guidelines), either purely technical or agreed among states

We are now entering policy debates where we wish to attribute a “pass/fail” score.

Where are such standards emerging and where should they be emerging?

We see them emerging in certifications and in such work as the new MSC decision trees (outside of government). We know that there is a possibility of developing rudimentary aspects of a standard in WTO for purposes of subsidies regime.

Better that standards to describe fisheries remain in hands of fishing experts? FAO would seem a more logical place.

One question is the feasibility of describing such a standard (other than at very high level due to the diversity of stocks and contexts.) The MSC has evidently run into roadblocks in it efforts to put in place generic certifications (e.g. on-the-shelf certifications of common elements of fisheries in order to reduce costs of multiple certifications on shared management systems. Are there lessons to learn from these issues?

Breadth of certification standards

The Roundtable also covered some aspects of scope of certification (especially in relation to economic/social concerns.

Clearly as shown by Naturland label, this benchmarking is easiest in very local areas where values are most homogeneous and we saw that the Naturland process (Lake Victoria) was almost acting as an aid/investment checklist.

This is much different than arguing for economic social standards in a more global set of guidelines or labels, where cultures/values are more diverse. What would be the standard/benchmark? Debates on social and economic “norms” have been going on for years to no resolution (e.g. what is equity? fairness?). This is not a technical issue.

Moreover given the existence of “choice editing”, there is some risks that such standards could be used to block products from sale without certain social standards. This is much different than investment checklists. This amounts to certifying policy stance of states, not product sustainability. This could indeed backfire on developing states.

Lessons for FAO eco-labelling guidelines for aquaculture, which were going down this path.

Other aspects of scope

We heard here of other issues that some considered to be necessary parts of scope; the issue of animal welfare was briefly raised, but not taken up.

A more common and emerging issue mentioned was that of carbon footprint. In fact we heard that one ‘label was already certifying on the basis of carbon footprint.

This may be an area where the market is getting ahead of itself. Do we have a standard methodology for this yet? Experiments I know about show that certification for this is very “unstable” due to lack of a rigorous definition/standard/methodology

Public private roles and impacts on public authorities

Issues covered in my presentation

Traceability

We did not spend a lot of time on traceability issues. Notwithstanding, there are policy and analytical questions to address.

Some of these issues are:

- What do we mean by “integrated traceability? : a fully integrated traceability record or a bottom up *information system* that could be used to report at any scale and for any use (we saw a tool that would enable this).
- What does it mean to integrate traceability across different functions requiring different degrees of specificity (e.g. recall versus chain of custody for ecolabelling).
- Voluntary (e.g. required for export certificate?) versus obligatory traceability for all?
- How should the system fit into food traceability systems (across food groups)

POSSIBLE PRACTICAL RESPONSES/NEXT STEPS

Is it possible to build a “theoretical” eco-labelling/governance regime based on market principles, governance principles, etc to understand what an efficient/effective system would look like – i.e. market distortions minimized, fewest impacts on governance etc? How far are actual systems from this?

Improve management – can use ecolabelling frameworks for diagnostics/capacity building as well

Practical methods for emerging issues (e.g., carbon footprinting)

Educating retailers on emerging policy/governance issues, including access to decision-making (responsible retailers not necessarily just ENGOs)

Benchmarking and transparency of eco-labels?

Standards for fisheries management -- going beyond guidelines

Traceability systems – needs, issues, implications

Management and governance capacity building in developing states

Public private partnerships

Other?