



Potential policies to promote SCP via the food retail sector in Nordic Countries

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1 Introduction

As already seen Nordic retailers have launched numerous initiatives aimed at promoting more sustainable consumption and production. At the same time, key trends in environmental impacts from consumption in Nordic countries reveal that more action is needed. The challenge remains that constraints of competitive markets mean that it is often difficult for companies to act alone, outside of a business case for sustainability. Thus, government has an important enabling role to play, in using policy levers to support the development of a business case for manufacturers and retailers to produce and deliver more sustainable products thereby encouraging and supporting actions by businesses, including retailers, towards more sustainable consumption and production (Sustainable Consumption Roundtable, 2006).

A variety of policy instruments have been introduced in the Nordic region over the last decades to promote more sustainable consumption and production, including regulation, environmental taxes, labels, campaigns, green public procurement standards and public-private partnerships to name a few. Many – if not all – of these policy instruments directly influence retailers. A common feature of the majority of these policies is that they also create opportunities for the more proactive retailer, e.g. in terms of branding and market positioning as “green”. However, current levels and patterns of consumption in the Nordic countries are unsustainable and it is clear that further policy support is needed to accelerate the transition towards more sustainable production and consumption patterns.

The purpose of this paper is to provide insight into opportunities for policy intervention that can (further) encourage and support retailer activities towards SCP by presenting the policy framework and instruments available. The paper first describes different types of policy instruments. Secondly, it presents a structured overview of SCP policies that directly or indirectly affect retailers. Thirdly, it provides a more in-depth description and discussion of selected policy instruments with special attention given to the possible establishment of a Nordic retail forum for SCP. Finally, the paper outlines recommendations for policy intervention for the Nordic countries. The paper is primarily prepared based on a desktop survey, but also includes specific input from stakeholders. This includes opinions of a) Nordic retailers as regards their view on specific SCP policy options including that of a Nordic retail forum obtained through a questionnaire survey and 2) experts in sustainable consumption and green lifestyles obtained during the Nordic Council of Minister’s expert workshop on sustainable consumption and green lifestyles held in Copenhagen 24-25th November, 2010.

2 Brief description of SCP policy instruments affecting retailers

A broad range of environmental and non-environmental policies determines the framework conditions for retailers. Some of them directly target the retail sector, however, most do not. Policies that indirectly influence retailers are often targeted at farmers, food producers, consumers, etc. Examples of such policies include action plans promoting organic food production,



eco-labels and national waste minimisation programmes. Some of the policies influencing retailers may promote sustainable consumption, however, others may counteract more sustainable consumption patterns and levels.

The focus of this paper is on policies developed to encourage more sustainable consumption and production that at the same time directly or indirectly influence the retail sector.

These include policies that aim to promote more sustainable operation of retail stores, but also policies that aim to transform the markets of green and more sustainable products more widely, i.e. through greening production, promoting the provision (supply) of greener products and by stimulating the take-up of green products (demand).

Various kinds of measures may be taken by governments to promote SCP. In this paper, these are categorised as follows:

1. Strategies, programmes and action plans
2. Regulatory instruments and standards
3. Economic instruments
4. Information-based instruments
5. Voluntary agreements

These categories of SCP instruments are briefly described below.

Box 1: Types of policy instruments in focus

- **Strategies, programmes and action plans**

These – also referred to as planning instruments – include strategic policy documents aimed at providing the overall framework for policy action to promote sustainable consumption and production. Such policies often put forward a vision, strategic objectives, specific targets, concrete action as well as indicators for measuring progress. Examples include national sustainable consumption and production action plans and green public procurement strategies. The key relevance of such strategic policy documents for retailers could be launch of new relevant policy instruments or targets, which may create new markets for products and thus provide an important basis for strategic planning.

- **Regulatory instruments and standards**

These include instruments such as product and substance bans, emission limits, production process standards, minimum product performance standards, mandatory environmental reporting for companies, mandatory green public procurement standards and building codes. This type of instruments aims to determine which products, services, substances and production methods should be allowed and further establish specific requirements for actors. The application of SCP related regulation may be of high importance for retailers since they can determine requirements for location and operation of retail chains and could potentially destroy or create markets for products (e.g. bans of certain products will close markets but will often also create



new markets).

- **Economic instruments**

These include instruments such as fees and charges, taxes and subsidies, cap and trade schemes, feed-in tariffs, tradable permits, deposit-refund systems, etc. Economic instruments related to SCP can serve different aims including internalising external costs, reaching policy targets for pollution reductions, or promoting specific technologies and can significantly influence consumption and production, e.g. by increasing or reducing supply and/or demand for specific products. Examples include energy taxes, water taxes, differentiated VAT and subsidies for development or feed-in tariffs for renewable energy installations. The use of economic instruments can greatly influence the market conditions for businesses, including retailers, by increasing or reducing supply and/or demand for specific products and services.

- **Information-based instruments**

These include instruments such as labelling, consumer guidelines, consumer campaigns, websites and portals, education on SCP and training seminars for authorities and/or the private sector all aimed at raising awareness about SCP and enabling and encouraging consumers, producers and other actors to make sustainable decisions. The impact of information-based instruments on retailers may be less direct. Yet, such instruments can be a key driver in expanding the markets for green products (e.g. organic products or eco-labelled products).

- **Voluntary agreements**

These are often developed through partnerships between government and business and are aimed at achieving environmental benefits in an efficient manner by involving business directly. This category also includes stakeholder engagement in the broader sense. Examples include voluntary reporting initiatives, setting of voluntary targets for product improvements and emissions reductions, voluntary certification schemes, etc. Voluntary agreements can influence retailers either directly if they become involved in such initiatives or indirectly if their suppliers engage in such agreements.

Each of these types of policy instruments may affect retailers in relation to all three main parts of the product chain (upstream, in-shop and downstream) in different degrees.

3 A structured overview of policy options for promoting SCP through retail action

The table below provides an overview of different options for policy intervention aimed at reducing the overall environmental impact (direct and indirect) of food retail. The table is structured according to the different types of policy instruments in the vertical dimension and along the product life cycle in the horizontal dimension (overall, upstream, in-shop and downstream). The table is based on a desktop study of both existing policies in Nordic countries and elsewhere as well as other policy options discussed but not yet implemented. However, the table does not intend to present an exhaustive list of policy options for promoting SCP through retail initiatives.

	Overall cross-cutting policies	Upstream oriented policies	In-shop oriented policies	Downstream oriented policies
Strategies, programmes and action plans	<ul style="list-style-type: none"> • Sustainable Development Strategies • SCP Action Plans • Green public procurement strategies 	<ul style="list-style-type: none"> • CSR Action Plans • Agro-environmental policies • Cleaner Production Strategies • Integrated Product Policy 	<ul style="list-style-type: none"> • Food waste strategy • Energy-efficiency strategy • Waste management strategy • Packaging strategy 	<ul style="list-style-type: none"> • Consumer Policy • Sustainable consumption strategy at national level
Regulatory Instruments and Standards	<ul style="list-style-type: none"> • Sustainability reporting obligations for large companies • Extended producer responsibility schemes 	<ul style="list-style-type: none"> • Product Minimum Performance Standards • Substance bans, phase-out and substitution programmes • Stricter limits on use of pesticides and fertilisers in agriculture • Product bans • Eco-design requirements 	<ul style="list-style-type: none"> • Energy-efficiency requirements for new buildings • Waste management regulations • Regulations on the phase out of HCFCs in refrigeration 	<ul style="list-style-type: none"> • Marketing legislation • “Say no to advertisement” schemes • Requirements for public transport accessibility to shops in city planning
Economic Instruments	<ul style="list-style-type: none"> • Eco-tax reform 	<ul style="list-style-type: none"> • Eco-innovation funds • Subsidy reform (of the common agriculture policy) • Subsidies to organic farming • Tradable nitrogen-quotas for agriculture sector 	<ul style="list-style-type: none"> • Introduce / increase taxes on water, energy, waste and packaging • Deposit and return systems • Mandatory take-back systems for certain products 	<ul style="list-style-type: none"> • Differentiated VAT based on the environmental performance of products • Tax/fee allowances for eco-labelled products • Charges on specific products

		<ul style="list-style-type: none"> • Mandatory green accounts for farmers 	<ul style="list-style-type: none"> • Co-financing of e.g. zero-emission buildings • Tax allowances for green electricity 	<ul style="list-style-type: none"> • Bonus system for purchasing of “green” products
Information-based instruments	<ul style="list-style-type: none"> • Education on SCP • Capacity building in the retail sector on possible environmental retail initiatives, e.g. through best practice sharing • Promotion of the Nordic Swan eco label for retail stores • Rating / benchmarking system for retailers based on their environmental performance 	<ul style="list-style-type: none"> • Benchmarking system for environmental aspects (e.g. climate change, water consumption etc.) for food production and processing. 	<ul style="list-style-type: none"> • Prepare joint seminars / workshops on sustainable management of stores for staff together with retailers • Development of training material for staff in retail stores 	<ul style="list-style-type: none"> • Consumer campaigns on sustainable and healthy diets, food waste and transport to and from stores • Guides for environmentally sound purchasing (this could include info on relevant local stores as well as general guidelines on what to buy) • Promotion of e-shopping? - Eco-label, fair trade label, organic label, MSC label, etc.
Voluntary agreements	<ul style="list-style-type: none"> • Retail Forums / Public-private partnerships with the retail sector on environmental performance agreements, e.g. on packaging waste • Promotion of voluntary certification systems, e.g. EMAS or ISO14001 • Annual “green retailer” award 	<ul style="list-style-type: none"> • Public-private partnerships on supply-chain management, e.g. on harmonising standards / sector-wide cooperation • Cleaner production / eco-innovation awards • Public-private partnerships on eco-innovation • Voluntary green accounts for farmers 	<ul style="list-style-type: none"> • Voluntary agreements with food retailers on limiting food waste 	<ul style="list-style-type: none"> • Voluntary agreements on eliminating volume discounts.

Sources: Developed based on ETC/SCP, forthcoming; ETC/SCP and EEA, 2010.



4 Description of selected policy instruments

This section describes and discusses nine selected policy options amongst the numerous options presented in chapter 3. These nine policy options are divided into those that are cross-cutting and those that have specific focus upstream, in-shop or downstream. The nine policy options were selected based partly on expert priorities raised at a Nordic expert Workshop on Sustainable Consumption and Green Lifestyles held in Copenhagen on November 24-25th, 2010, and partly on suggestions from the Danish EPA.

In chapter 5, special attention is given to discussion of a possible establishment of a Nordic retail forum on SCP.

4.1 Cross-cutting

4.1.1 Environmental benchmarking system for Nordic retailers

Consumers who are concerned about environmental degradation and want to consider environmental performance when selecting retail shops often face a difficult choice due to lack of information. There is no commonly agreed system for comparing the environmental performance of retail chains or retail stores in the Nordic countries and the increased use of green marketing makes it even more difficult to distinguish between environmentally proactive retailers and laggards.

A common environmental benchmarking system for retailers would enable consumers to choose retailers with high environmental performance, and could thus be a strong tool to facilitate a “race-to-the-top” amongst retailers as well as a “race-away-from-the-bottom”. The basic principle of such an environmental benchmarking system would be to award retailers with points for a number of selected categories. A benchmarking system would need to cover a wide variety of categories of retail action including upstream, in-shop and downstream initiatives in order to provide a comprehensive and fair picture and not penalise or award specific company strategy.

The ambition level should be high enough to facilitate further action by retailers and at the same time modest enough to appeal to a wider group of retailers. It is similarly important that the benchmarking system be made dynamic so as to facilitate continuous improvement in environmental performance both amongst retail leaders and laggards. This can be made possible by using a broad scoring system ranging from very modest action to extremely ambitious strategies as well as by regular revisions of the system.

Such environmental benchmarking system could in principle be developed by the public authorities or independent experts, but would benefit from the active involvement of the retail sector. The system should ideally be based on active involvement of the retail sector, e.g. through self-assessments or questionnaires filled in by retailers or alternatively be run by external experts. The system could be developed at the national level or at the Nordic level. The benchmarking



system could be developed as a stand-alone activity, but could also be a key element of the work programme for a Nordic retail forum. An example of rating of retailers according to their CSR performance is the UK rating done by Ethical Consumer (Ethical Consumer, 2010).

Of 11 Nordic retailers responding to the question, five – or a little less than half – found the development of an environmental benchmarking system for Nordic retailers to be promising, whereas six retailers found it to be problematic. Concerns raised by retailers included:

- difficult to agree on a fair rating system,
- difficult to make a comparable system,
- problematic if it is used to denounce retailers, and
- doubts about the potential of a benchmarking system to change consumer preferences.

Furthermore, one retailer suggests that such a system must be managed by an independent body, which would certainly increase the credibility of such system.

Other pros and cons of developing an environmental benchmarking system for Nordic retailers identified include:

Pros:

- Can potentially be a strong driver for continuous improvement of environmental performance
- Relatively cost-effective

Cons:

- Benefits are indirect and depend on consumer reactions
- Cost effectiveness of the system depends on how wide a marketing strategy for it would be. To increase consumer response one needs to explain to consumers about the system and what it is about, which increases the costs of it.

4.1.2 Promotion of an eco-label for retail stores

The concept of an eco-label for stores allows shops, which fulfil the criteria, to market themselves as environmentally sound and allows consumers to choose retail stores with good environmental performance. An example of such eco-label for stores is the Nordic Swan eco-label, which was established in 1989 with the purpose of providing an environmental labelling system that would contribute to a sustainable manufacturing and consumption. The Nordic Swan eco-label is mostly used on specific products, but a total of more than 1000 companies, including more than 500 retail stores have also been awarded the Nordic Swan eco-label. A possible policy goal could be to promote such existing labels in individual Nordic countries, in the Nordic region and/or to promote the concept as such and push for a development of an eco-label for retail stores at the EU-level.

The difference between this initiative and that of developing an environmental benchmarking system is that the eco-label for retail stores would normally be an either/or option, whereas the latter could use a tiered scoring system. This entails that the eco-label may only be taken up by



leaders, who do not have an incentive for further improving their environmental performance once having achieved the label – apart from the improvement required as a result of a gradual strengthening of the eco-label criteria. The tiered scoring system applied in an environmental benchmarking system would award gradual improvements thus being more dynamic and potentially allow for a broader uptake by retailers creating both a “race-to-the-top” and a “catch-up-from-the-bottom”.

Of 11 Nordic retailers responding to the question, four found promotion of an eco-label for retail stores to be promising, whereas two retailers found it to be problematic. Concerns raised by retailers included:

- Doubts about the added value for customers
- Criteria are developing in a direction that requires additional resources from retailers

Other pros and cons of promoting an eco-label for retail stores identified include:

Pros:

- Can drive environment initiatives in the retail sector
- Can provide consumers with an indication of good environmental performance
- Use the same eco-label for stores as for products, which consumers are already familiar with

Cons:

- May not address laggards (dependent on the design of the system)

4.1.3 Annual "green retailer" awards

Awards can be used as a tool to create a “race-to-the-top” amongst businesses, to raise awareness on a certain subject and can further create marketing value for ambitious businesses. The introduction of a “green retailer of the year” award either at the Nordic or the national level may thus be one useful tool in triggering retail action and raising the awareness on retailer’s sustainability initiatives.

Of 11 Nordic retailers responding to the question, eight found an annual green retailer award to be promising, whereas two retailers found it to be problematic. Concerns raised by retailers included:

- Waste of time and back scratching
- How to define the criteria and chose retailers that have best performance rather than those with best marketing

One retailer suggested that such “green retailer” award should be at the Nordic rather than national level, since there are too few retailers at the national level for it to make sense. Another retailer specified that criteria should be transparent.



Other pros and cons of a “green retailer” award identified include:

Pros:

Cons:

- In the case of one frontrunner, the effect is minimal
- Zero effect for laggards

4.2 Upstream

4.2.1 Public-private partnership on developing common standards for sustainable supply chain management

Several retailers in the Nordic region and elsewhere are today engaging in sustainable supply-chain management, i.e. evaluating suppliers according to their environmental performance. The most known example is that of the US retail chain Wal-Mart, who has committed to evaluating their 100,000 suppliers based on their environmental performance. Another pioneer example is that of IKEA, who launched their Code of Conduct, the IWAY, in 2000. One of the key challenges retailers are facing related to sustainable supply-chain management is the costs involved in evaluating and auditing the vast number of suppliers, often counted in tens of thousands. Public-private partnerships may play a role to overcome this challenge by bringing together retailers and other stakeholders to develop common codes of conduct, standards or approaches for evaluation of suppliers that can be shared across the industry. Several sector-specific industry-wide initiatives have been successful in bringing together companies, who are competing within the same sector, and develop commonly agreed standards for environmental evaluation of suppliers. Examples include the Pharmaceutical Supply Chain Initiative, the Electronic Industry Citizenship Coalition and the Oil Companies International Marine Forum’s (OCIMF) Tanker Management Self Assessment (TMSA) scheme.

A Nordic public-private partnership on sustainable supply-chain management for the retail sector could be a strong tool in making sustainable supply-chain management efforts by the Nordic retail sector more cost-effective and ultimately facilitating more sustainable products on the shelves in Nordic retail. Specific attention could be given to eliminating barriers for closer cooperation and coordination. A Nordic public-private partnership on sustainable supply-chain management for the retail sector could be in the form of a stand-alone initiative or be established as a key element of the work programme for a Nordic retail forum.

Of 11 Nordic retailers responding to the question, seven found a public-private partnership on developing common standards for sustainable supply chain management to be promising, whereas two retailers found it to be problematic. Concerns raised by retailers included:

- The governments have to provide a level playing field and not challenge the front runners to run even faster



One retailer refers to the BSCI initiative. However, this is not sector-specific and thus much broader and less focused than a sector-specific initiative for food retailers could be. Another retailer suggests that such harmonisation should ideally be done at European level.

Other pros and cons of a public-private partnership on developing common standards for sustainable supply chain management identified include:

Pros:

- Cost-efficient approach to sustainable supply-chain management
- May broaden the use of sustainable supply-chain management within retailers

Cons:

- May be difficult to agree on common standards

4.2.2 Substance/product bans, phase-out and substitution programmes

Regulation banning certain substances or products can provide a very effective way of bringing to an end the use of particularly unsustainable substances or products. Examples of existing bans range from incandescent light bulbs to phtalates in toys. Such regulation often does not directly involve the retail sector, but can strongly influence the availability of products on the shelves.

Of 11 Nordic retailers responding to the question, six retailers – or just above half – found product bans to be a promising policy option, whereas five retailers found it to be problematic. Concerns raised by retailers included:

- Product bans should be discussed involving the business sector
- Product assortment should respond to customer needs

It seems that a number of retailers find that product bans are acceptable regarding products containing hazardous substances, but that otherwise it is not feasible. One retailer states that product bans could work to speed up technology leaps, another retailers says that it is good in the sense that it creates a level playing field and yet another emphasises that bans must be widely applied to be effective and useful.

Other pros and cons of substance bans identified include:

Pros:

- Effective in changing consumer behaviour
- Can spur innovation and create new markets

Cons:

- May increase costs if alternatives are more expensive



4.3 In-shop

4.3.1 Education and information on sustainable management of stores for staff

Raising the awareness and knowledge of environmental impacts and potentials for improvements related to the operation of retail stores amongst retail staff may contribute to enhanced environmental performance of retail stores. The role for policy in this regard could be to help develop common industry-wide training material in partnership with the retail sector, i.e. in the form of a public-private partnership, and to co-organise workshops. Elements of such training material could include waste handling, energy management, general housekeeping, etc. Again, development of common industry-wide training material for the retail sector could be carried out as a stand-alone initiative or as part of the work under a retail forum.

Nordic retailers have not been asked specifically about their opinion of this policy option. However, in a slightly related question, seven of the 11 retailers found seminars / workshops on sustainable management of stores for staff to be a promising policy option, whereas two retailers found it to be problematic. Concerns raised by retailers included:

- Increased costs
- Should be kept very practical

One retailer notes that preparing a handbook would be very helpful.

Other pros and cons of developing education and information on sustainable management of stores for staff identified include:

Pros:

- Relatively easily done

Cons:

- May only result in minimal environmental improvements – perhaps should be targeted or extended to supply-chain managers and/or marketing departments

4.3.2 Voluntary agreements with food retailers on limiting food waste

Voluntary agreements with retailers can take many forms and address numerous different challenges. The strengths of voluntary agreements include the potential to bring the sector together committing to specific targets and actions. For food retailers the issue of food waste makes up one of the key environmental challenges and the issue is not easily dealt with. Thus, the establishment of voluntary agreements with food retailers on limiting food waste, including the setting of concrete targets would be a potentially appealing policy option either at the common Nordic level or at the national level. One specific element of such voluntary agreement to reduce food waste could be retailers agreeing to refrain from using offers like “two for the price of one” for perishable goods as done in Tesco’s “buy one get one free later” initiative.



Examples of voluntary agreements targeted at the retail sector include the German Sustainable Retail Initiative and the UK Courtauld Commitment. The latter addressed the issue of food waste specifically and comprehensively by working with retailers and committing to a reduction of 155,000 tonnes of food waste from households by 2010 compared to a 2008 baseline. The target was met and even exceeded and according to WRAP, who is responsible for the Courtauld Commitment, a total of 670,000 tonnes of food waste and 520,000 tonnes of packaging have been avoided across the UK between 2005 and 2009 as a result of the initiative (WRAP, 2010).

Voluntary agreements with food retailers on limiting food waste could also address food waste arising in the retail part of the product chain, e.g. through establishing or supporting initiatives such as food banks where surplus food are distributed to homes for socially marginalized people or others in need.

Of 11 Nordic retailers responding to the question, seven retailers – or a clear majority – found voluntary agreements with food retailers on limiting food waste to be a promising policy option, whereas two retailers found it to be problematic. Concerns raised by retailers included:

- Cost aspects already reduce food waste, each retail chain is doing their best already due to competitiveness pressures
- Better to increase waste tax. Money is the best incentive to reduce waste and increase waste sorting.

To the first point above it should be noted that the policy option of establishing voluntary agreements with food retailers on limiting food waste in the Nordic region would not necessarily be limited to reducing food waste in the retail stage of the product chain, but could also include the production or consumption stage, the latter of which has been a key focus for the UK Courtauld Commitment.

Other pros and cons of voluntary agreements with food retailers on limiting food waste identified include:

Pros:

- Similar types of policies have provided good results in other countries
- Food waste is a key challenge
- May provide a feasible alternative to regulation

Cons:

- May only provide slow improvements
- Real progress requires broad participation from the retail sector

4.4 Downstream

4.4.1 Differentiated VAT based on environmental performance of products

High prices of eco-labeled, organic and other green products as compared to conventional products is often highlighted as the key barrier for increasing the take-up of green products. The



price difference is partly caused by the lack of full internalisation of the external costs associated with the product into the market price. One mean to overcome this incentive to buy less sustainable products is to use taxation and specifically VAT to influence the price structure of green versus conventional goods. This could involve developing a revenue-neutral scheme in which VAT is reduced for green products and increased for conventional products in various degrees depending on their environmental performance. Such model is for instance applied to the registration levy of cars in a number of European countries, including Denmark and Sweden. Obviously, for cars it is significantly more simple than for thousands of food products, and a pragmatic first step might thus be to apply reduced VAT rates on products carrying the Nordic Swan and the European eco-label (as is discussed below) and/or to reduce VAT for fruit and vegetables that typically (but not always) have relatively low environmental impacts.

Of 11 Nordic retailers responding to the question, six retailers found differentiated VAT based on the environmental performance of products to be a promising policy option, whereas four retailers found it to be problematic. Concerns raised by retailers included:

- Hard to implement
- Would it influence consumption in the right way?
- Results in both high administrative costs and substantial demarcation issues. Effective only in areas where the environmental performance is indisputable.

Several retailers state that such policy would be good to reward those who make the right choice, but also note that it may be difficult to clearly measure the environmental performance.

Other pros and cons of differentiated VAT based on the environmental performance of products identified include:

Pros:

- Similar types of measures have shown to be highly effective in changing consumption behaviour

Cons:

- Highly complicated to assess overall environmental impacts of products and the VAT decrease/increase would thus need to be based on very rough assumptions or done at product category level.

4.4.2 Tax/fee exemptions for eco-labelled products

As discussed above greener products are often more costly to produce. Measures to help reduce the price of green products include VAT relief for more sustainable goods, e.g. eco-labelled and organic products. Such measure could potentially assist retailers in increasing the market share of sustainable products and services significantly and have been suggested by retailers (Schmidt et al., 2008: 6; BIO Intelligence Service, 2009: 49) as well as by the European Commission in its Green Paper on integrated product policy back in 2001. Through increased demand, such measure would



potentially accelerate manufacturing of organic and eco-labeled products and could thus dramatically influence the market for green products.

Of 11 Nordic retailers responding to the question, seven retailers found tax/fee allowances for eco-labelled products to be a promising policy option, whereas two retailers found it to be problematic. Concerns raised by retailers included:

- Perhaps more feasible to apply allowances and subsidies on production level, rather than on retailer level.

One retailer emphasised the need to clearly define, which products are VAT exempted (e.g. Nordic Swan eco-labelled products).

Other pros and cons of tax/fee exemptions for eco-labelled products identified include:

Pros:

- Expected to be effective in increasing consumption of green products
- Cost-efficient measure

Cons:

- Need to increase other means of taxation to keep the initiative revenue-neutral

5 Nordic retail forum on SCP

5.1 Description

A Nordic Retail Forum on SCP could provide a useful platform for public-private collaboration for achieving environmental improvements within the Nordic retail sector and could generate a better understanding of the practical measures needed to promote sustainable consumption and production in retail and in supply chains. A key focus area of such a Nordic retail forum would most likely be scaling up existing small-scale initiatives through exchange of best practices on sustainability in the Nordic retail sector. Another role of the retail forum could involve establishing a baseline and committing to continuous improvement in environmental performance with specific time-bound targets. However, a retail forum could also involve a variety of other initiatives aimed at reducing direct and indirect environmental impacts of food retail in the Nordic countries – amongst others those voluntary initiatives described below, including development of a benchmarking system for retailers at the Nordic or national level, an annual “green retailer” award, development of commonly agreed standards for environmental evaluation of suppliers and voluntary agreements on limiting food waste.

In the near future result could include:

- Improved sustainability performance of supply chains producing goods to Nordic consumers;
- Reduced barriers to working with sustainability issues in supply chains relevant to Nordic markets;



- Greater availability of environmentally and socially sound products in Nordic retail chains;
- Higher awareness of consumers on sustainable products as well as on how to use products in the most environmentally efficient way and on how to change unsustainable lifestyles to more sustainable ones.
- Common understanding of “green marketing”, e.g. acceptable and problematic green claims

Such forum could be limited to Nordic retail companies and public authorities (e.g. EPAs), but could also involve a broader group of key stakeholders, including food manufacturers, academia, environment and consumer NGOs, key international organisations (e.g. EEA) and other relevant stakeholders. The EU retail forum for sustainability (EC, 2011 – see also text box below), which was established in 2009 as an important contribution to the EU Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan (EC, 2008) launched in 2008 uses such a multi-stakeholder approach.

Rules for membership of such a Nordic retail forum could take many shapes. One model also known from the EU retail forum would be that of making membership of the retail forum voluntary and open to all retailers who sign up to pre-defined environmental commitments.

Experience from the EU retail forum (see text box) suggests that a key element for a successful retail forum is building trust amongst the key actors. Even though a Nordic retail forum would entail bringing competitors together around the same table working with environmental issues is a common task and finding solutions suitable to many retailers might be of interest. Furthermore, one of the key actors that may participate in the forum is authorities, and there is generally a relatively high level of trust between authorities and businesses in the Nordic countries so the issue of trust should not be a problem in this case. Thus overall, the starting point for the Nordic retail forum is promising.

Experience also shows that a retail forum in itself does not necessarily lead to significant improvements. The success depends on a number of factors, including the level of commitment as well as the work programme agreed upon.

5.2 Opinions of stakeholders:

A group of Nordic retailers were asked about their opinion on the usefulness of establishing a Nordic retail forum aimed at promoting more sustainable consumption and production. **Five of the nine retailers responding stated that such a forum would be useful.** Reasons for this include:

- Dialogue and cooperation is seen as beneficial
- The size of the Nordic region is good and many Nordic retailers work on similar issues
- A forum could lift good examples and motivate retailers towards continued action

Four retailers did not regard an establishment of a retail forum useful. Reasons mentioned include:



- There are already plenty of meeting foras
- The group would be too large and there would be too much talk and too little action
- The space for competing initiatives is limited
- Do not see how this could be done

Furthermore, at a Nordic expert Workshop on Sustainable Consumption and Green Lifestyles held in Copenhagen on November 24-25th, 2010, participants were asked to identify pros and cons of establishing a Nordic Retail forum for environment. All pros and cons identified are listed in annex 1. Generally, experts saw many potential benefits in establishing a retail forum, but also identified numerous risks or drawbacks.

Potential benefits identified included:

- Provide a platform for dialogue, sharing of best practices, knowledge and experiences as well as making commitment to change
- Identification and discussion of common challenges and solutions, such as purchasing strategies, promoting/developing new sustainable products and voluntary agreements.
- Development of a common Nordic suppliers auditing scheme
- Development of common sustainability targets
- Bring sustainable consumption into focus
- A narrower forum than the EU retail forum with more shared experiences and opportunities and quicker diffusion of best practices
- Opportunity to influence and to take informed (political) decision
- Strengthening Nordic cooperation

Dangers / disadvantages identified included:

- Risk for too much talk, too few obligations and too little action
- Risk of green-washing / excuse for not acting
- Secrecy problems – maybe not much dialogue because they are competitors
- There is already the EU Forum – a Nordic Forum would just be extra work – could take focus away from the European forum. What is the added value to the EU forum?
- Not much “fun” for first movers, if lowest common denominator is strived for
- Time consuming

Altogether, a number of real potential benefits of a Nordic retail forum have been identified, but concerns were also raised especially about the risk of too low ambition level, too little action and of the additional value of a Nordic retail forum to the existing EU retail forum. To the last point added value of a Nordic retail could include: 1) an increased ambition level amongst Nordic retail chains compared to average EU retailers, 2) more commonalities in Nordic countries than across Europe, 3) Higher degree of trust between retail and authorities in the Nordic region than across Europe and 4) a smaller geographical coverage, which could result in a more focused forum and potentially make the forum appealing for a wider group of retailers than only the leaders.



The EU Retail Forum for Sustainability

In 2008 the European Commission published the Sustainable Consumption and Production and Sustainable Industrial Policy (SCP/SIP) Action Plan to complement already existing policies at EU and national level aimed at fostering resource efficient and eco-friendly products and raising consumer awareness. The Action Plan amongst other initiatives called for the establishment of a Retail Forum on SCP, which was launched in 2009 by the European Commission, together with EuroCommerce and the European Retail Round Table (ERRT). The Forum aims to reduce the environmental impact of the retail sector and its supply chain, to promote more sustainable products and to better inform consumers about 'green' purchasing opportunities. Over time the result should be greater availability of environmentally-friendly and energy-efficient products in shops and better information to consumers on how to use products in the most ecological way.

Forum participants agreed to share best practice, discuss how to promote sustainable consumption and tackle barriers that hinder it, and obtain scientific information from relevant bodies to help evaluate environmentally sound products.

Membership of and participation in the Forum is voluntary and open to all retailers who sign on to the Retailers' Environmental Action Programme (REAP), which includes company-specific environmental commitments that champion innovation in a variety of different business areas grouped in the areas, 'What we sell', 'How we sell', and 'How we communicate.' As of December 2010, 20 retailers and 7 retail associations have signed on to REAP.

Key stakeholders such as producers, suppliers, consumers and environmental organisations are encouraged to participate on specific issues raised by the Retail Forum. This ensures transparency and collaboration, as well as the sharing of the necessary expertise, practical experience, and constructive input.

Since 2009 the Forum has met quarterly, following on an agreed upon Work Plan (2009-2011) with topic discussions assigned for each meeting. The last official topic discussion for this first phase of meetings is scheduled for October 2011.



6 Discussions of selected policy instruments

A total of ten different policy options aimed at promoting SCP through retail action were described and briefly discussed in chapter 4 and 5. The table below rates these ten policy options in low, medium or high for the following three categories: environmental impact (i.e. what are the potential environmental gains), practicality (is the policy option accepted and can it be easily implemented) and economic efficiency (how cost-efficient is the policy option).

Policy option	Environmental impact	Practicality	Economic efficiency
Nordic Retail Forum	Uncertain	High	Medium
Promotion of ecolabel for retail stores	Low	High	High
Environmental benchmarking system for retailers	Medium/High	Medium	Medium
Annual "green retailer" awards	Low	High	Medium
Public-Private partnerships on sustainable supply chain management	High	Medium	High
Substance/product bans, phase-out and substitution programmes	High	Low	Medium
Education and information on sustainable management of stores for staff	Low	High	Medium
Voluntary agreements with food retailers on limiting food waste	Medium/High	Medium	High
Differentiated VAT based on environmental performance of products	High	Low	High
Tax/fee exemptions for eco-labelled products	High	Low	High

The above rating is by nature somewhat subjective and not based on thorough analysis and thus cannot be used to rank the ten policy options in a top ten of most appealing policy options. However, the table does reveal that some policy options have greater potential for environmental gains than others. Those with greatest potential for environmental gains include benchmarking system, partnerships on sustainable supply-chain management, substance/product bans, voluntary agreements on food waste, differentiated VAT and VAT exemptions for eco-labelled products. Unfortunately some of these policy options appear to be less practical to implement.

Interestingly two Nordic retailers mentioned other policy options, which they found to be promising. These were: 1) an R&D partnership between researchers and retailers on sustainable retailing issues, which could develop projects on environmental issues common to many retailers and 2) development of clear transparent criteria for information production and communication, including development of more key performance indicators and guidelines on how to measure them.



7 Recommendations

From an overall point of view, any strategic approach towards policy development in the area of SCP would benefit from the establishment of a more integrated and coherent policy framework encompassing the sustainability aspects of the food retail sector, e.g. in national SCP or SCP-related strategies and action plans, such as agro-environmental strategies, GPP strategies, energy strategies, etc. Governments may consider the pivotal role of retailers more strategically in existing policies and especially in future policy processes, with a view to exploring sector-specific priorities and defining a common agenda for action.

In terms of concrete strategies, in addition to national overarching Sustainable Development/SCP strategies, two key areas for further action were highlighted by experts at the Nordic Workshop as being critical. These were:

- Development of eco-tax reforms shifting tax from labour to material consumption
- Development of more ambitious GPP strategies with mandatory requirements

Eco-tax reform remains a key policy instrument in implementing the “polluters pay principle” – a fundamental principle in modern environmental law – and is an effective and cost-efficient instrument to change both production and consumption patterns.

Green public procurement can increase the market share of more sustainable goods and services, which can also help to bring down the prices of niche products, making them more attractive to consumers (BIO Intelligence Service 2009: 50; Leire, Mont et al. 2009).

Furthermore, consideration should also be given to preparing integrated food strategies at a more detailed level, to provide a more complete and comprehensive vision of the food sector. These would reinforce traditional strategies, which may have limited scope and tend to be implemented in isolation, such as e.g. strategies on agro-environmental issues or those aimed at promoting organic agriculture. A further option, which could be considered in this context, is the preparation of strategies or action plans dedicated to high-impact product groups, such as e.g. meat or dairy products.

It is of key importance that both the relevant problems and possible means to tackle them are framed in a holistic manner, considering the full life-cycle of products and that a mix of different complementary policy instruments (such as regulatory instruments, economic instruments, information-based instruments and voluntary agreements) is applied and targets both the supply and demand of sustainable products.

Governments can further contribute with raising environmental and social awareness of people (Schmidt, Møller et al. 2008: 6), which could reduce negative consumer perceptions that 'green products' are inferior in quality, performance or value for money and could eventually translate in higher explicit consumer demand for more environmentally and socially sound products (Almaani, Aylwinblanco et al. 2004).



Quantitative targets defined in strategies and action plans and indicators for monitoring the implementation of these strategies or action plans could ideally be defined with retailers' potential role in promoting SCP in mind.

Similarly, research institutions also have a part to play in providing a solid evidence base to support and inform national policymaking, including environmental data on products identifying "hot-spots" for action. National governments could consider establishing cross-ministerial research agendas focusing on the retail sector possibly including an R&D partnership bringing researchers and the retail sector together.

In relation to the policy options described and discussed in chapter 4, 5 and 6 there is clearly no one-size fits all. However, it seems that a Nordic retail forum could provide a useful platform for voluntary collaborative efforts among retailers, authorities and other key stakeholders. Potentially interesting elements for discussion and development of such forum could include:

- Sharing of knowledge, best practice examples and experiences
- Identification of barriers to working with sustainability relevant to Nordic retailers and means to overcome these
- Development of common standards for sustainable supply chain management
- Voluntary agreements on limiting food waste with specific targets
- Development of environmental benchmarking system for Nordic retailers
- Development of education material for retail staff on sustainable management of stores
- Development of common understanding of good green marketing practices
- Stimulating discussions on the role of retailers in promoting sustainable consumption and lifestyles



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Annex 1 – List of pros and cons of a Nordic retail forum for environment identified by Nordic experts in sustainable consumption and green lifestyles

Pros:

- learn from best practises in the Nordic countries
- inspiration
- experiences
- discuss common challenges
- common purchasing strategies
- dialogue – find common targets and efforts
- common Nordic suppliers auditing scheme (SEDEX)
- strengthen Nordic cooperation
- if agreements on targets
- find common voluntary schemes that are agreed to be implemented
- bring sustainable consumption into focus
- marketing support from credible independent source
- cooperate on promoting/developing new sustainable products
- But discussions have to be framed with clear target
- A narrower forum
- More shared experiences and opportunities
- Quicker diffusion of best practices
- Making commitment to change
- Exchange of ideas
- Dialogue is always good – sharing knowledge
- Opportunity to influence and to take informed (political) decision
- Create consensus on needed action

Cons:

- Just another task
- There is already the EU Forum – a Nordic Forum would just be extra work
- Risk for too much talk and too little action
- A retail forum should have real influence, e.g. on harmonising Nordic countries policies/priorities
- Excuse for not acting
- Secrecy problems
- What is the added value to the EU forum?
- Maybe not much dialogue because they are competitors
- Not much “fun” for first movers, if lowest common denominator
- Risk of ending up with discussion forum
- Risk of green-washing
- No action
- Too much talk, few obligations and actions?
- Taking focus away from the European forum
- Time consuming