



CORNWALL INSIGHT

CREATING CLARITY

Unintentional Greenwashing: A Challenge for Organisations on the Road to Net Zero

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Unintentional greenwashing: a challenge for organisations on the road to net zero

Greenwashing is a concern for both companies and their customers. Consumers are worried about being misled by companies falsely claiming to be 'green' and many companies reporting on emissions are concerned about unintentional greenwashing accusations.

Greenwashing, a term coined in the 1980s, is defined in the Cambridge Dictionary as: '[behaviour or activities that make people believe that a company is doing more to protect the environment than it really is](#)'. The journey to net zero relies on accurate reporting of emissions for all large emitters. However, corporates and organisations have expressed concerns around the lack of standardised reporting and the shortfall of support to navigate reporting, which could lead to unintentional greenwashing.

The Carbon Trust identified that a [main barrier to decarbonisation was concerns about external judgement and scrutiny of progress towards net zero](#). This is, labelled as a 'barrier to accountability' by the Carbon Trust, and describes the concerns businesses have about being accused of greenwashing and facing backlash for perceived lack of progress towards net zero. Only 43% of respondents to Carbon Trust's research felt fully confident in their business' ability to accurately communicate progress, and 80% of respondents expressed that potential regulation on communication of progress is a concern for their business. However, these concerns were mainly held by companies at the start of their journey to net zero. Companies with long-term, scope 3 emission reduction plans only saw external scrutiny as the fifth biggest barrier, whereas those at the start of the journey saw it as a top three barrier. The Carbon Trust's concern is that companies are 'greenstalling' as they are worried about getting climate action 'wrong', which leads to companies not taking steps towards climate action. When companies do not communicate their progress towards net zero, it decreases information flows between the private sector and policymakers, which could impact the formation of policy designed to accelerate net zero transitions.

Mitie found that [55% of sustainability decision makers at UK firms believe current sustainability reporting requirements to be too complex](#), and 38% stated that this makes it difficult to understand what they should be reporting on. The survey also revealed that 60% of sustainability managers were worried about the impact on company reputation if its reporting was deemed unsatisfactory and 20% were concerned about greenwashing accusations. The survey findings demonstrate the challenge sustainability decision makers are experiencing with the rise of intensity in reporting. Despite these concerns, Mitie found that 34% of respondents felt that ESG regulations have positively influenced company sustainability strategy. Sustainability reporting has the potential to improve sustainability performance because it offers transparency to stakeholders, who are becoming increasingly sensitive to a company's impact on the environment.

A solution to this problem is to use industry trusted sources for carbon reporting. However, because even some of these trusted sources have come under recent scrutiny, relating to the inclusion of carbon offsets in carbon reduction plans, many companies find navigating this issue confusing and complex. On 16 July, Energy Systems Catapult published a report [highlighting the gaps in carbon accounting regulation](#). The report suggested the need for improved coordination and oversight with a robust regulatory framework that enables credible emission data disclosure. It suggests that a carbon

regulator could oversee third party verification which could create more trust in the verification process and alleviate concerns about unintentional greenwashing. It could foster more credible decarbonisation plans, supporting companies to reach net zero, rather than miss initial carbon reduction targets.

There are plenty of benefits to reporting on emissions and publishing a net zero strategy. Many external stakeholders and investors now consider green credentials when using services or investing in a company. Another consideration is that prospective employees are looking to work with companies with ESG strategies that include net zero strategies. For companies without strategies, recruitment may become more challenging compared with their competitors. It's not just employees that value sustainability – many customers also want to work with companies that align to their values, including net zero. Improved clarity and granularity of emissions and net zero reporting will have near term benefits for early adopters, which will feed down to long term benefits for industry as a whole by helping shape policy around reporting.

There have been recent steps to address greenwashing and concerns about standardised reporting. On 16 May, the Conservative government published its Sustainability Disclosure Requirements (SDR): Implementation Update 2024 document. The update [intends to provide industry with clear information, timeframes, and milestones for each of the core elements of SDR](#). It also aimed to provide stakeholders with a concise summary of how SDR fits together across the financial services sector and wider economy, and when they can expect to engage with proposals. The SDR update was included to facilitate consistent disclosure across the UK, and includes an anti-greenwashing rule to ensure all claims are fair and not misleading.

It is likely that changes, and hopefully improvements, to reporting policy with the new Labour government will continue. In its manifesto, [Labour said it would mandate UK-regulated financial institutions and FTSE 100 companies](#) to develop and implement credible transition plans that align with the Paris Agreement. It will be interesting to see whether these mandates will foster greater clarity and transparency with carbon reporting that could support other organisations on a credible path to net zero, tackling ongoing worries of unintentional greenwashing.

Ultimately, while decarbonising your business can seem daunting, studies show that doing it right could enhance your brand reputation, reduce costs, and boost business. As customers increasingly scrutinise companies' environmental records, it's crucial to stay ahead. Let us guide you through the process. Sign up for our Energy Net Zero Publications and Forum to learn more: Find out more [here](#).

For tailored decarbonisation analysis or advice on energy procurement, our consultancy service is ready to assist. Get in touch [here](#).



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