

Greenwashing – how companies mislead consumers with false environmental claims

By **Patricia Schröder** - 11th May 2023



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Companies and producers have in recent years come under increased pressure to run their operations in an environmentally responsible way – both from a legal and ethical standpoint. Whilst this is undoubtedly something to be lauded, it has sadly also given rise to a practice known as greenwashing.

According to the environmental charity ClientEarth, corporate greenwashing is “the practice of making a company appear more climate friendly and environmentally sustainable than it actually is”. This can be achieved through advertising and public messaging, and is also a tactic adopted by certain businesses to divert customers’ attention away from the fact that their operations actually cause significant harm to the environment.

Although greenwashing is deceptive, it is not necessarily prohibited because of legal loopholes. The fact that it persists despite being denounced by NGOs, the media, and increasingly, regulators is remarkable.

Greenwashing is not necessarily a deliberate rogue tactic, as it could even take place as a result of mere corporate ignorance. Customers are increasingly drawn to producers with outstanding sustainability credentials, and this is a fantastic incentive to meet green targets. But too frequently the correct processes are then not followed.

Different types of greenwashing

One of the biggest concerns regarding greenwashing, is how intricate the deceptive tactics have become. I refer to a report by the non-profit financial think tank Planet Tracker, titled “*The Greenwashing Hydra*”, that explains the sophisticated schemes some producers and organisations resort to.

One of the tactics the authors of the report has observed is called greencrowding. It relies on safety in numbers and is based on the idea that you could hide in a crowd to avoid detection. However, a closer look reveals that none of these organisations’ progress reports offer open, quantifiable, and audited data.

Another tactic used is greenlighting. This occurs when company communications stress a particularly green characteristic of its operations or products, however tiny, in order to

shift attention away from ecologically damaging actions being performed elsewhere.

Greenlabelling is also a deceptive method. This is when the term "green" or "sustainable" is used by marketers, but a deeper look reveals that their claims are false. It is challenging for a layperson to understand the numerous environmental labels. Terms like 'bio', 'from nature', 'natural', 'green' and 'eco-friendly' are commonly used, but poorly defined and therefore abused.

Consequences could be dire

It is emphasised that it is crucial to remember that making false environmental claims has huge consequences – like hindering the development of the green economy.

Greenwashing hampers sustainability. It makes it easy for customers, governments, and even businesses to believe the environment is benefitting from certain practices, when in effect, nothing is happening.

Producers also stand to lose big, though. A backlash will most probably occur if a firm is exposed as exaggerating its environmental promises. They are then likely to suffer the resulting consumer backlash. When customers go so far as to boycott producers they deem as dishonest, it might further result in a decline in sales.

Nowadays, investors, customers, and employees want producers and companies to act in a sustainable manner. If it becomes apparent that you were part of a greenwashing scheme – whether intentional or not – the reputational damage can be huge.

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