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Press release

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Greenwashing, the practice of making false or misleading claims about a company's environmental practices, can be used by regulators to encourage organisations to adopt environmentally friendly behaviour, according to new research by Gilles Grolleau and Dejan Glavas from ESSCA School of Management and Naoufel Mzoughi from INRAE.

Based on current literature and publicly available evidence, the new study published in the *Journal of Cleaner Production* (January 2023), identifies four potential mechanisms:

1. Raising awareness and acclimatising consumers to greenness as the new norm
2. Using greenwashing to hold companies accountable.
3. Inspire and drive change within the firm
4. Giving leverage to regulators

Professor Dejan Glavas, co-author of the article from ESSCA School of Management comments: "The main tools for regulators in fighting greenwashing are deterrents such as financial penalties and tightening of laws. The mechanisms we have identified offer an additional way for regulators to help companies fix their greenwashing transgressions by moving towards genuine sustainability initiatives. Greenwashing is wrong, but we argue it can be an opportunity for positive change and not just something to be punished."



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By using greenwashing claims to force an organisation to reduce the discrepancy between what it claims and what it actually does enables what the researchers call the “ratchet effect.” The ratchet effect takes a negative situation and turns it into a positive opportunity for change.

An example is Krombacher, a German brewery that engaged in an initiative with the World Wildlife Fund where it promised that for each crate of beer sold, one square metre of rainforest would be protected. The campaign was heavily criticised for greenwashing. Subsequently, the brewery made consistent efforts on its environmental activities to improve to its green image. This would not have occurred without the initial greenwashing.

Another example is the Chinese financial market where greenwashing was present initially and green bond issuers were allowed to finance “clean coal” projects. The Chinese green bond market has now developed to become the second-largest green bond market in the world since 2020 when Chinese regulators excluded “clean coal” from eligible projects. It has enabled the development of what is now recognised as an innovative green financial instrument.

The researchers point out that not all greenwasher transgressors can be transformed into environmentally friendly agents, but suggest several factors which can help identify where greenwashing mistakes can lead to more sustainable trajectories. These include companies that have a lot to lose in case of greenwashing exposure, coupled with the presence of actors (e.g., NGOs, regulators) that can accompany a company towards its green transition; along with a low degree of intentionality to mislead.

Professor Dejan Glavas concludes: “Rather than focusing all their efforts on preventing greenwashing at all costs, we recommend that promoters of the green transition, such as regulators, can create conditions in which a greenwashing mistake can be changed into a green opportunity. For instance, offering the choice between a very costly punishment and the opportunity to engage in a green trajectory. Quite simply, the green promise, once made, must be fulfilled.”

Notes to Editors:

About the research:

Greening the greenwashers – How to push greenwashers towards more sustainable trajectories by Dejan Glavas, Gilles Grolleau, Naoufel Mzoughi, Journal of Cleaner Production, Volume 382, 1 January 2023, 135301

About ESSCA School of Management

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