



SEPTEMBER 2022

# Climate-Washing in Québec and Canada

## How to turn the tide

This report of the Quebec Environmental Law Center (*Centre québécois du droit de l'environnement*) (CQDE) outlines which rules and standards exist now to address climate-washing, and the CQDE's policy recommendations to improve how climate-washing is addressed.

The authors hope that it comes at an opportune time, as they expect a considerable increase in the number of climate-related claims in the coming months and years, such as “net-zero” and “carbon neutral”. If the status quo is maintained, many of such claims are likely to distort important decisions by various stakeholders during the ongoing climate crisis.



## What is the scope of this report?

This report focuses on climate-washing by the private sector in Québec and Canada, but much of it may be relevant in other jurisdictions and in the public sector.



## What is climate-washing?

Simply put, climate-washing is greenwashing as it applies to climate-related claims. Greenwashing happens when an entity falsely or misleadingly claims that its activities, products, or services have certain environmental attributes. Climate-washing concerns such claims as they pertain to climate attributes, such as “net-zero”, “carbon neutral”, greenhouse gas emissions reductions or communications about alignment with the goals of the Paris Agreement.



## Why is climate-washing a problem?

Consumers rely on the information communicated by companies for their consumption choices, investors for their investment choices, public bodies for their monitoring and sanctioning, and competitors and other stakeholders for various other objectives, to name only a few examples. However, when climate-related claims are vague or unsubstantiated, whether intentionally or not, all of these decisions can be distorted. Adequately addressing climate-washing can therefore provide the public with a clearer picture of the progress in the fight against climate change, and provide a more level playing field for the growing number of markets affected by climate-washing.



## **Is climate-washing such a rampant practice that it warrants such attention?**

Climate-washing is already rampant, and it is expected to grow quickly in the coming months and years if current policy is maintained. There are already many controversies on this subject in Québec, Canada, and elsewhere. As more and more entities make climate-related claims, yet more entities will feel pressure to follow suit.



## **What rules and standards are in place now in Québec and Canada to address climate-washing?**

Consumer protection laws forbid companies from making false or misleading claims, but do not specifically address climate-related claims. Other than consumer protection rules, there are mandatory regimes in effect, but these only apply to certain subsets of entities, such as financial disclosure rules applicable to publicly traded companies, GHG emissions reporting rules applicable to certain emitters, etc. There is a wide spectrum of types and quality of climate-related claims and claimants. All stakeholders would benefit from greater legal predictability, uniformity and transparency.



## **Is anything being done to better address climate-washing in Québec and Canada?**

Some climate-related legislative reforms are currently in the works, but they mainly focus on financial market disclosures. A recent initiative has also been launched by the government of Canada, but it is a voluntary program that only captures one category of climate-related claims, namely “net-zero” entity-wide claims. As such, these initiatives will likely not capture most climate-related claims related to products or services, such as those appearing on product packaging and labeling or advertisements, or such as those relating to GHG emissions reductions. Consequently, they will not ensure that most categories of climate-related claims are subject to clear and mandatory rules and standards.



## What are the CQDE's policy recommendations?

The CQDE identifies four principles that constitute the foundations of an effective legal framework:

### **Principle ① : Qualification.**

Firms should be required to qualify all their climate-related allegations based on their scope, attribution rules, time frame, the characteristics of the offset mechanisms on which they rely, where applicable, and the quality of the claimant's transition plan.

### **Principle ② : Substantiation.**

Firms should be subject to specific rules that identify which information is needed to adequately substantiate climate-related claims.

### **Principle ③ : Disclosure.**

Firms should be obligated to publicly disclose all supporting evidence on which they base their climate-related claims as soon as they make such claims available to the public.

### **Principle ④ : Monitoring.**

Rather than rely mostly on complaints, enforcement agencies should proactively monitor claims made by firms to the public.

Based on these four principles, the CQDE makes three recommendations to policymakers on the regulation of climate-related corporate claims.

### **Recommendation ①**

Policymakers should issue or endorse a disclosure standard for climate-related corporate claims made to the public. This framework should include carbon accounting, offsetting, and reporting rules. It should not be exclusive to the financial sector and should cover both product-level and organization-level climate-related claims.

### **Recommendation ②**

Policymakers should set climate-washing as a top enforcement priority for consumer protection agencies, which should establish investigation teams that actively monitor the marketplace and publish guidelines dedicated to climate-related claims.

### **Recommendation ③**

Policymakers should adopt a coherent and comprehensive climate policy approach that considers the various private initiatives and upcoming regulatory reforms relating to climate accounting, targets, and reporting. Further policy initiatives should encompass both consumer protection and financial disclosure rules and should ensure that firms face consistent reporting and disclosure standards.



## **Under the current rules, if a member of the public or other stakeholder sees a claim that might be climate-washing, what should they do?**

The main options are:

1. First, report the suspicious claim to the relevant public authorities:
  - Federal consumer protection : [Canada's Bureau Competition](#)
  - Provincial consumer protection : Québec's [Office de la protection du consommateur](#)
  - Securities regulator: Québec's [Autorité des marchés financiers](#)
  - The advertising industry's self-regulating body: [Ad Standards Canada](#)
2. Ask the federal and provincial governments and public authorities to adopt the policy recommendations proposed in this report;
3. [Contact the CQDE](#) for more information.