

**OFFICE OF THE MINISTER FOR ECONOMIC DEVELOPMENT
OFFICE OF THE MINISTER FOR THE ENVIRONMENT
OFFICE OF THE MINISTER OF COMMERCE**

The Chair
CABINET POLICY COMMITTEE

**SUSTAINABLE BUSINESS: ACTIONS TO ADVANCE THE ENHANCED
ECO-VERIFICATION INITIATIVE**

PURPOSE

- 1 Cabinet agreed in February to a sustainable government procurement initiative with eco-verification elements. The latter have since been developed as an independent initiative. This paper clarifies the agenda for this initiative by:
 - providing an overview of eco-verification processes and systems;
 - setting out objectives for Enhanced Eco-verification; and
 - recommending a set of key actions for the initiative.

EXECUTIVE SUMMARY

- 2 'Eco-verification' involves setting standards for the environmental impacts of products and processes and verifying that these are met.
- 3 Government has four roles in relation to eco-verification. As a regulator, it can increase the scope or stringency of standards and regulations so that eco-verification becomes a powerful tool for delivering New Zealand's sustainability objectives. As a facilitator, it can accelerate progress by supporting or boosting the actions of other organisations involved in eco-verification and by providing information to help consumers make informed choices when buying products or services. As a leader, it can raise the bar and create incentives for others through the eco-standards and tools it employs in initiatives like procurement, Govt³ and the carbon-neutral public sector. As a provider of standards and conformance infrastructure, it can support and streamline the underpinning arrangements associated with standards setting, measurement, verification and certification.
- 4 Enhanced Eco-verification actions will need to deliver long-term economic outcomes as well as environmental outcomes. This will require a clear understanding of the interrelationship between trade and sustainability objectives. It will also require aligned objectives between the private sector and government, including a commitment to cementing New Zealand's reputation as a country at the forefront of proactive sustainability management.
- 5 The Enhanced Eco-verification initiative can support these goals in the following ways:
 - increasing business commitment to use management systems, including product standards, that meet eco-standards;

- developing better measurement technologies and systems to exploit opportunities, manage risks and position New Zealand as a leader in sustainable management;
 - supporting development of sector eco-verification infrastructures that are consistent with global leadership positions;
 - leveraging existing regulatory frameworks to identify possible stretch eco-verification requirements;
 - leveraging New Zealand's standards and conformance infrastructure internationally to identify areas where we should attempt to influence standards and assessment approaches; and
 - developing eco-verification tools to support government objectives for sustainable procurement, Govt³ and a carbon-neutral public service.
- 6 Current and potential actions that support these objectives are summarised in Annex 1. The latter have been drawn up with input from a range of stakeholders. From these, four are recommended as high-profile actions with the potential to make a large difference:
- develop initiatives to accelerate the uptake by businesses and government agencies of ISO 14000 environmental management systems, including product standards, or other internationally recognised systems;
 - position NZ as a global research and development leader in product life-cycle analysis and application of eco-verification support structures;
 - work with stakeholders such as Landcare Research to position New Zealand as a leader in carbon-footprint measurement and management in areas that will make the greatest contribution to sustainability and economic transformation; and
 - work with primary-sector stakeholders to develop a greenhouse-gas footprint response, including scoping opportunities for co-ordination of research, eco-verification, promotion, market development and international trade.
- 7 Officials will undertake a stock take of the eco-standards, eco-labels and eco-verification infrastructure currently employed in New Zealand with a view to providing better and more co-ordinated information to businesses, consumers and government procurement and to underpin the Enhanced Eco-verification initiative as a whole.
- 8 It is recommended that Cabinet endorses the key actions as a preliminary list. They can be finalised when officials report back on feasibility, probable impacts, risks, possible resource requirements and implementation timelines at the end of August 2007.

BACKGROUND – WHAT IS ECO-VERIFICATION?

- 9 Enhanced Eco-verification is part of the sustainability package agreed to by Cabinet in February 2007 (CAB Min (07) 4/1A). 'Eco-verification' originally formed part of a broader Sustainable Government Procurement initiative in this

package but was publicly announced as an independent initiative and has since been developed as such¹.

- 10 'Eco-verification' is a tool. It includes four elements:
 - setting standards for the environmental impacts of products and processes and the environmental management practices of firms, farms and forests;
 - determining how to measure compliance with these standards, including the establishment of standards for measurement and the underlying measurement science;
 - verifying that standards have been met, a task that usually involves independent bodies which are, themselves, often accredited by national or international accreditation agencies; and
 - certifying that standards have been met and that firms can use eco-labels for their products and management practices.
- 11 The process and infrastructure surrounding the Environmental Choice NZ eco-label can be used to illustrate these components. This label is owned by the Government and administered by the NZ Ecolabelling Trust. The Trust sets the standards that underlie the Environmental Choice label. It licenses use of this label on products (e.g. paints) that are produced under specified environmental management systems (e.g. minimising energy wastage and water pollution) and which meet specified packaging and product standards. Compliance with these standards are checked on an on-going basis by independent third parties. Assurance about integrity is further backed up by the fact that the standards set by the Environmental Choice NZ Trust are based (variously) on NZ and International Standards Organisation standards and by the fact that the third-party assessors must themselves be accredited by the Joint Accreditation System of Australia and New Zealand.
- 12 This example illustrates the way in which the process of eco-verification is supported by an eco-verification infrastructure. The latter provides (Figure 1², next page):
 - environmental standards (1) and practical methods and measurement processes (2) that firms and sectors can use to meet these standards;
 - verification (3) and certification (4) methods to establish that standards are being met and give consumers and stakeholders confidence that claims made about environmental standards are well founded; and
 - good underlying processes for grounding standards and tests and accrediting verifiers and certifiers (5), for updating and aligning standards and methods to meet evolving overseas requirements (6) and for networking and information flows to keep all the parts of the system aligned (7).

¹ The other initiatives are *Business Partnerships for Sustainability, Sustainable Government Procurement, Carbon-neutral Public Service, Sustainable Households and Waste Minimisation and Management*. Papers on all six initiatives will be considered by POL in May 2007.

² Figure 1 can be viewed as an environmental 'slice' through the standards-based infrastructure that underpins most segments and sectors of the economy and spreads wider than environmental concerns to cover safety, weights & measures etc. This wider picture will be set out in a May report to Cabinet on findings from a recent review of New Zealand's standards and conformance infrastructure.

13 Annex 3 provides examples to illustrate aspects of eco-verification in New Zealand in each these areas. Notable features are:

- the range of products, processes and systems that could fall within the ambit of Enhanced Eco-verification;
- the wide variety and differing qualities of the standards, codes of practices and accords involved;
- the number and diversity of the public, private, national and international organisations involved in setting eco-standards and codes of practice, in checking and certifying that these have been met and in checking that the checkers and certifiers themselves meet satisfactory standards;
- the multi-faceted and networked nature of the relationships and interdependencies required to make the eco-verification infrastructure work; and
- the dynamic nature of eco-verification which arises out of growing awareness of approaching environmental crises, rapidly shifting consumer expectations and a kaleidoscope of standards- and regulation-based responses from international, national, local and business organisations.

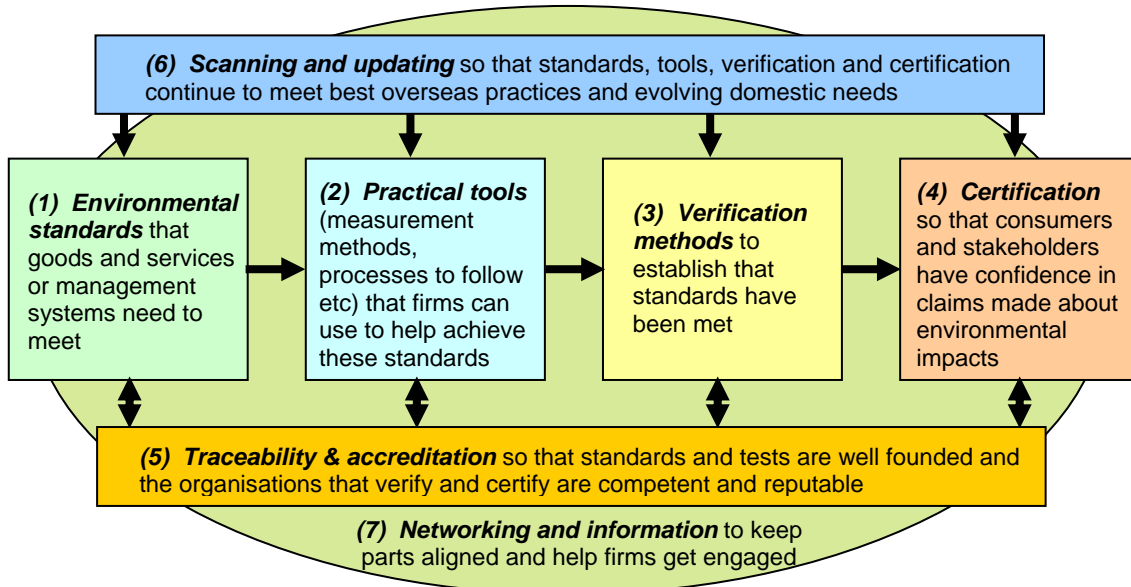


Figure 1: Components of eco-verification infrastructure

ROLE OF GOVERNMENT

14 Government has four roles in relation to eco-verification:

- As a regulator, government can increase the scope or stringency of eco-standards and regulations so that these become levers to help deliver New Zealand's sustainability objectives. The scope for doing this will need to be determined on a case-by-case basis as Enhanced Eco-verification and other sustainability initiatives unfold.
- As a facilitator, government can accelerate progress by supporting or boosting the actions of other organisations involved in eco-verification and by providing information to help consumers make informed choices when buying products or services. Business-related aspects of this role are

illustrated in the companion paper on Business Partnerships for Sustainability.

- As a leader, government can raise the bar and create incentives for others through the eco-standards and tools it employs in initiatives like procurement, Govt³ and the carbon-neutral public sector. Proposals to set particular standards for particular products are outlined in the companion paper on Sustainable Government Procurement.
 - As a provider of standards and conformance infrastructure, government can support and streamline the underpinning arrangements associated with standards setting, measurement, verification and certification. For example, the first of the key actions outlined later in this paper is likely to involve the streamlining of connections between various eco-standards so that it becomes easier for firms to use those that are recognised internationally.
- 15 Because eco-verification is a crowded space with many different actors, standards, methodologies, purposes, pressures, motivations for engagement and commercial interests (as illustrated in Annex 3), precipitate actions to 'enhance eco-verification' could readily have unintended consequences (e.g. an apparently straightforward decision to endorse a particular eco-label might impact on NZ's trade obligations). As a result, most actions to enhance eco-verification require careful development. Routes to actions are set out in the sections that follow.

OBJECTIVES FOR ENHANCED ECO-VERIFICATION

What Enhanced Eco-verification should support

- 16 Eco-verification processes and infrastructures are required to support a range of government, partnership and private-sector initiatives aimed at increasing environmental sustainability, reconciling sustainability objectives with trade objectives and supporting economic transformation. These include:
- the five other initiatives of the government's February sustainability package ;
 - national strategies for climate-change, energy, energy efficiency and waste management;
 - government programmes of action for water, clean air, Govt³, fisheries management and other similar initiatives;
 - joint sustainability initiatives with sectors such as those for tourism and aquaculture and fisheries (as described in a companion paper on the Business Partnerships for Sustainability initiative);
 - cross-sectoral groups such as the Food Miles Group convened by the Ministry of Foreign Affairs and Trade which is looking at ways to tackle potential trade barriers arising from the emerging international focus on 'food miles';
 - work with firms, where the key issue is lifting general capability to engage in sustainable business practices through employment of eco-verification instruments (such as ISO 14000 standards) and tools such as those for estimating and verifying carbon footprints; and

- partnership work with organisations such as the Sustainable Business Network, the NZ Business Council for Sustainable Development and Landcare Research who work with firms who are interested in eco-labels and sustainable business practices.

Objectives for Enhanced Eco-verification

17 A set of objectives for the Enhanced Eco-verification initiative has been identified through a workshop involving a range of eco-verification stakeholders held in April, and work by officials. These are:

- **Increasing business commitment to use of management systems, including product standards, that meet eco-standards.** Many NZ firms make no use of eco-standards and eco-labels. Ways to build capabilities in these areas are outlined in the accompanying paper of Business Partnerships for Sustainability. Government can also facilitate uptake by making sure that appropriate standards are available, that the advantages for businesses are clear and that it is easy for businesses to engage with eco-verification.
- **Developing better measurement technologies and systems to exploit opportunities, manage risks and position New Zealand as a leader in sustainable management.** There is general agreement that New Zealand has opportunities to develop sophisticated new measurement technologies and systems in key areas. These will give NZ sectors and businesses an edge and help to cement New Zealand's reputation as a country at the forefront of proactive sustainability management.
- **Supporting development of sector eco-verification infrastructures that are consistent with global leadership positions.** A number of sectors are developing eco-verification frameworks (as outlined in the companion paper on Business Partnerships for Sustainability). Government can facilitate these processes by working with sectors to identify gaps and opportunities to enhance eco-verification systems (e.g. through improved standards, better measurement tools, simpler verification and certification processes), to manage international trade risks (e.g. the misuse of food mile standards) and to create leadership positions (e.g. NZ standards and processes for a sector become global best practice).
- **Leveraging existing regulatory frameworks to identify possible stretch eco-verification requirements.** As a regulator, the government can increase the scope or stringency of standards and regulations governing areas such as energy efficiency, building materials and resource use and, thereby, increase the drive for sustainability across the economy.
- **Leveraging New Zealand's standards and conformance infrastructure internationally to identify areas where we should attempt to influence standards and assessment approaches.** New Zealand has an internationally recognised and respected conformity assessment infrastructure. There are opportunities to leverage this by keeping abreast of the development of international standards in areas that are important to us and by identifying where we should participate actively to influence outcomes.

- **Developing eco-verification tools to support government objectives for sustainable procurement, Govt³ and a carbon-neutral public service.** Eco-verification standards and tools are being developed as part of the Carbon-neutral public service initiative. There are also opportunities to develop standards, tools and systems to support government leadership initiatives required by Govt³ and Sustainable Government Procurement. The information and tools developed will later become useful for businesses and consumers who find the current proliferation of eco-standards and eco-labels confusing.

18 We recommend that this set be used as objectives for Enhanced eco-verification.

ACTIONS TO ENHANCE ECO-VERIFICATION

Lists of current and potential actions

- 19 Current and potential actions that government could take to enhance eco-verification are summarised in Annex 1 under the objectives in paragraph 17. The current actions are drawn from the work plans of various agencies and the potential actions have been developed through the April workshop of eco-verification stakeholders and work by officials.
- 20 Rationales for current and potential actions have not been provided in Annex 1 for the sake of brevity. In most cases, these are implicit in the statements of action and in their relationships to the objectives at the tops of columns.
- 21 There are overlaps between some of the actions in Annex 1. These will be clarified through the further development work noted in paragraphs 33-36 below.

Selecting key actions

- 22 Although all the actions listed in Annex 1 would have impacts on sustainability and economic transformation, some have the potential for greater and more immediate impacts than others. Officials recommend that these 'key actions' be selected on the basis of:
- strategic importance to New Zealand;
 - topicality in relation to domestic and overseas trends;
 - potential scale of impact;
 - appropriateness for government action;
 - immediacy of impact; and
 - boldness or symbolic value.
- 23 Officials recommend that the number of key actions be limited to four to ensure maximum focus and impact.

Recommended key actions

- 24 Officials recommend the following as immediate key actions from Annex 1 for development under Enhanced Eco-verification:

- develop initiatives to accelerate the uptake by businesses and government agencies of ISO 14000 environmental management systems, including product standards, or other internationally recognised systems;
 - position NZ as a global research and development leader in product life-cycle analysis and application of eco-verification support structures;
 - work with stakeholders such as Landcare Research to position New Zealand as a leader in carbon-footprint measurement and management in areas that will make the greatest contribution to sustainability and economic transformation; and
 - work with primary-sector stakeholders to develop a greenhouse-gas footprint response, including scoping opportunities for co-ordination of research (for details, see Business Partnerships for Sustainability paper), eco-verification, promotion, market development and international trade.
- 25 Cabinet may wish to select alternative or additional actions from Annex 1 to augment this preliminary set. Note here that some of the actions in the annex are already under way, including the development of national aquaculture standards and a programme to achieve environmental certification of key fisheries against the Marine Stewardship Council scheme.
- 26 A brief analysis of the way in which the proposed four key actions fit the criteria in paragraph 22 is provided in Table 1. Initial components that fit under the actions are illustrated in Annex 2.
- 27 Table 1 also includes some of the immediately identifiable issues associated with each of the key actions. Further work will be required to test how significant these issues are. Work will also be required on implementation details, including funding implications and feasible timelines.
- 28 Officials therefore recommend that Cabinet adopt the four actions as a preliminary set of key actions for Enhanced Eco-verification and this be finalised after they have provided further advice to Ministers at the end of August 2007.

Underpinning action

- 29 Officials will undertake a stock take of the eco-standards, eco-labels and eco-verification infrastructure currently employed in New Zealand with a view to providing better and more co-ordinated information to businesses, consumers and government procurement and to underpin the Enhanced Eco-verification initiative as a whole.

HOW GOVERNMENT ACTIONS FOR ENHANCING ECO-VERIFICATION SHOULD BE ORGANISED

Advancing the key actions

- 30 Further advice on the proposed key actions should be prepared by the end of August. Officials will be expected to work with stakeholders, as appropriate, and to use the usual caveats that the joint work will lead to advice to Ministers and that final decisions to proceed will depend on Cabinet decisions.
- 31 This development work will provide a clearer appreciation of the steps to be managed under each action and of how to manage any process or substantive

risks. The expectation is that clear steps and milestones will be agreed with all stakeholders and that key actions will be underway by the end of 2007.

- 32 Officials propose that the Ministry of Economic Development be given lead responsibility for the first three actions in paragraph 24 and that the Ministry of Agriculture and Forestry be given lead responsibility for the fourth action.

Table 1: Summary analysis of proposed key actions against selection criteria.

	Accelerating uptake of internationally recognised eco-standards by businesses	Positioning NZ as a global leader in research & development of life-cycle analysis and application of eco-verification support structures	Positioning NZ as a leader in C-footprint measurement and management in key areas through work with key stakeholders such as Landcare	Developing a greenhouse-gas (GHG) foot-printing response for the primary sectors.
Strategic importance to NZ	NZ firms make relatively little use of internationally-recognised standards. Changing this is an essential element in strategies to improve exporting and to position NZ as a leader in sustainable business.	The strategic opportunity is to 'get ahead of the game' and shape developments to NZ's advantage	This action will provide direct support for the government's ambition to make NZ the world's first C-neutral economy	Agricultural sector contributes 52% of the value of New Zealand exports. NZ is also positioning itself as a global leader in climate-change and agriculture research.
Topicality	Businesses are increasingly aware of the need but often lack incentives and knowledge.	Life-cycle analysis is emerging as a key focus, particularly in the EU	There is high international and domestic interest in C-footprints.	There is high international and domestic interest in C-footprints. Significant market access pressures emerging in UK markets.
Scale of impact	Potentially large given the thousands of businesses that could become involved	Potentially large both domestically and in terms of new global opportunities & risk management	Large domestically. High-profile action for overseas markets.	Large over the longer term, particularly for exports and also if NZ is able to capitalise on business opportunities in developing GHG methodologies.
Appropriate for government action	Only government can assemble the range of component actions to make this action happen on a necessary scale	The need for co-ordinated action was identified at the April workshop. Only government can provide all the necessary settings and funding arrangements to get this action under way.	Landcare Research, one key player, is a Crown entity. This action is largely about recognising the public good of the steps it has already taken and identifying the scope to add value through eco-verification tools	Government support and co-ordination required due to the urgent time pressures. Coordination role needed across agricultural sector. Public R&D research input required. Govt-Govt role in trade negotiations.
Immediacy of impact	Potentially rapid – beginning within this calendar year.	Longer-term but enduring	Rapid. Many NZ firms are interested in becoming C neutral.	Short-term and long-term impact.
Symbolic value	This action would demonstrate government commitment to making sustainability central in the economy	The intention to create an NZ Inc approach and mobilise skills and resource would be a strong signal of government commitment	This action would be a clear demonstration of government commitment to C neutrality	Significant. NZ could position itself as a world leader in agricultural GHG foot-printing research, methodologies and information.
Immediately identifiable issues	Possible risks around picking particular standards and conflicts with commercially supported standards	Involvement from several research organisations required with the possibility of conflicts with their needs to leverage research into commercial opportunities.	A key methodology, CarboNZero, is provided by Landcare Research as a commercial service. Government support will advantage this CRI. Careful co-ordination required with UK work on carbon footprints.	Risks of insufficient resources and capability. Fragmented approach. Lack of knowledge, large information gaps. Coordination will require significant engagement with industry.

Advancing other actions

- 33 While officials are seeking Cabinet's broad endorsement of the set of current and potential actions in Annex 1, Cabinet decisions are not required to enable the current actions in the annex to go forward: individual Ministers will sign off on the details of these actions when they approve the 2007-08 Statements of Intent of relevant agencies.
- 34 The remaining 'potential' actions in Annex 1 could be advanced through a variety of routes:
- some can be implemented by agencies as extensions to existing or planned work programmes, subject to approval by responsible Ministers;
 - some are likely to be advanced as parts of other work streams with the core responsibility for this remaining in those work streams; and
 - some will require research and further work with stakeholders to determine if they warrant elevation into one or another of the existing government work streams on sustainability or into the Enhanced Eco-verification initiative itself.
- 35 It is likely that other potential actions will also arise through work with stakeholders in each of the areas above. It is also likely that a range of resourcing and funding issues will arise as various streams of work develop.
- 36 The considerable complexities associated with interconnected activities in the eco-verification system were noted in paragraph 13 above. There is also a high degree of interconnectivity between eco-verification and the other five initiatives in the sustainability package and between the package and other sustainability work streams. To add to the complexity, linkages often exist between eco-verification issues and other areas such international trade, free trade agreements and the wider standards and conformance infrastructure. All of these interconnections will have to be managed through coordinated official and ministerial processes.

Responsibility to co-ordinate

- 37 We propose that the Ministry of Economic Development be given primary responsibility for:
- maintaining an overview of current, developing and potential actions within Enhanced Eco-verification and ensuring that work on these is appropriately co-ordinated; and
 - maintaining an overview of interconnections between Enhanced Eco-verification and other work streams and initiatives.
- 38 Officials can update us on progress in these areas in August.

BUSINESS COMPLIANCE COST IMPLICATIONS

- 39 Compliance costs associated with specific courses of action will be outlined in the August report backs.

FINANCIAL IMPLICATIONS

- 40 Budget 2007 contains funding of \$7.4 million over four years in Vote: Environment for 'government leadership in sustainable procurement', which includes both the eco-verification and sustainable government procurement initiatives. Advice on the way these appropriations should be applied to Enhanced Eco-verification actions will be provided in the August report back.

OTHER IMPLICATIONS

- 41 This paper has no immediate regulatory, legislative or Treaty implications.

CONSULTATION

- 42 The following ministries and agencies have been consulted during the preparation of this paper: Environment, Agriculture and Forestry, Consumer Affairs, Foreign Affairs and Trade, Fisheries; Prime Minister & Cabinet, Research, Science and Technology, Tourism, Treasury and NZ Trade and Enterprise.

RECOMMENDATIONS

- 43 We recommend that Cabinet Policy Committee:
- 1 **Note** that Cabinet agreed in February to a set of sustainability initiatives, including a sustainable government procurement initiative that contained proposals related to enhanced eco-verification (CAB Min (07) 4/1A).
 - 2 **Note** that Budget 2007 contains funding of \$7.4 million over four years in Vote: Environment to fund both the eco-verification and sustainable government procurement initiatives.
 - 3 **Agree** that the objectives for Enhanced Eco-verification initiative will be:
 - increasing business commitment to use of management systems, including product standards, that meet eco-standards;
 - developing better measurement technologies and systems to exploit opportunities, manage risks and position New Zealand as a leader in sustainable management;
 - supporting development of sector eco-verification infrastructures that are consistent with global leadership positions;
 - leveraging existing regulatory frameworks to identify possible stretch eco-verification requirements;
 - leveraging New Zealand's standards and conformance infrastructure internationally to identify areas where we should attempt to influence standards and assessment approaches; and
 - developing eco-verification tools to support government objectives for sustainable procurement, Govt³ and a carbon-neutral public service.
 - 4 **Agree** that the lists of current and potential actions to enhance eco-verification (Annex 1) drawn up by officials with inputs from a range of stakeholders be used as a broad agenda for development of the Enhanced Eco-verification initiative.

- 5 **Agree** that government should focus its efforts to enhance eco-verification on a small number of key actions that these be selected on the basis of:
 - strategic importance to New Zealand;
 - topicality in relation to domestic and overseas trends;
 - potential scale of impact;
 - appropriateness for government action;
 - immediacy of impact; and
 - boldness or symbolic value.
- 6 **Agree** that the following be selected as key actions to enhance eco-verification:
 - develop initiatives to accelerate the uptake by businesses and government agencies of ISO 14000 environmental management systems, including product standards, or other internationally recognised systems;
 - position NZ as a global research and development leader in product life-cycle analysis and application of eco-verification support structures
 - work with stakeholders such as Landcare Research to position New Zealand as a leader in carbon-footprint measurement and management in areas that will make the greatest contribution to sustainability and economic transformation; and
 - work with primary-sector stakeholders to develop a greenhouse-gas footprint response, including scoping opportunities for co-ordination of research, eco-verification, promotion, market development and international trade.
- 7 **Note** that further work by officials will be required to shape this preliminary list into an actionable list and that this work may show that particular actions should not be pursued by government.
- 8 **Note** that officials will undertake a stock take of the eco-standards, eco-labels and eco-verification infrastructure currently employed in New Zealand with a view to providing better and more co-ordinated information to businesses, consumers and government procurement and to underpin the Enhanced Eco-verification initiative as a whole.
- 9 **Direct** the Ministry of Economic Development, working with the Ministry for the Environment, the Ministry of Agriculture and Forestry and other public- and private-sector agencies and organisations as appropriate, to lead work on the first three key actions of recommendation 6, to maintain an overview of current and developing eco-verification actions and to ensure that projects are co-ordinated.
- 10 **Direct** the Ministry of Agriculture and Forestry, working with the Ministry of Economic Development, the Ministry for the Environment, and other public- and private-sector agencies as appropriate, to lead work on the fourth key action of recommendation 6.

- 11 **Invite** the Minister for Economic Development, in conjunction with the Minister of Agriculture, the Minister for the Environment and the Minister of Commerce, to report by 31 August 2007 on:
- the feasibility, probable impacts, risks, funding arrangements and implementation timelines for the selected key actions; and
 - wider progress in enhancing eco-verification processes and infrastructure.

Hon David Cunliffe
Acting Minister of
Economic Development

Hon David Benson-Pope
Minister of the Environment

Hon Lianne Dalziel
Minister of Commerce

ANNEX 1: CURRENT AND POTENTIAL ACTIONS TO ENHANCE ECO-VERIFICATION

Actions have been classified under the objectives proposed in paragraph 17. New actions that have been singled out for early attention appear in bold.

Increasing business commitment to use management systems that meet eco-standards	Developing better measurement technologies and systems	Supporting development of sector eco-verification infrastructures	Leveraging existing regulatory frameworks for sustainability stretch	Leveraging NZ's standards & conformance infrastructure internationally	Developing eco-verification tools to support public-sector sustainability
Actions that are either currently underway or are already planned for 2007-08					
<p>Add modules on overseas eco-verification requirements to NZTE Exporter Education programme (NZTE)</p> <p>Provide better information on eco-standards and processes on web portals, including biz.org (NZTE)</p> <p>Promote the fact that the Enterprise Development and Growth Services Funds can provide support for businesses that wish to gain certifications for meeting environmental management standards (NZTE)</p> <p>Develop ways to promote sustainability as a global opportunity for NZ businesses through NZTE programmes (NZTE)</p> <p>Package information on overseas eco-verification trends and intentions and make this available to</p>	<p>Continue developing methods for voluntary assessment of agricultural greenhouse-gas emissions (MAF)</p> <p>Develop a carbon-accounting methodology for the Permanent Forests Sinks initiative (MAF)</p> <p>Development of environmental and farm management indicators (MAF)</p> <p>Increase research focus on developing new environmental sensing and measurement technologies (MoRST)</p>	<p>Continue work with the Food Miles Group to ensure that industry perspectives are incorporated in the development of eco-verification & sustainability initiatives (MFAT)</p> <p>Investigate the opportunity to leverage existing NZ capabilities in eco-verification into opportunities for growth overseas (NZTE)</p> <p>Work with targeted groups of NZ businesses to understand how they might position themselves as sustainable in various markets (NZTE)</p> <p>Work with the fishing sector to achieve environmental certification of key fisheries against the Marine Stewardship Council scheme (MFish)</p> <p>Joint work with the aquaculture sector on</p>		<p>Set up a system to monitor and assess international development of eco-standards and regulations so that choices can be made about those that NZ might attempt to influence and shape (MED)</p> <p>Undertake a stocktake of industry actions and programmes so that government is aware of the full range of current eco-verification activities in NZ and of the way these match international developments (MED)</p>	<p>Develop a database and website on eco-labels and products and their quality to provide guidance for government procurers (MfE, MED)</p>

sectors and businesses through a website (MED) Use the government website on eco-standards and codes of practice and their quality to provide guidance for businesses (MED, MfE)		development of national standards for sustainable management (MFish)			
---	--	--	--	--	--

Potential new actions identified through an April eco-verification workshop and through assessments by officials

<p>Develop initiatives to accelerate the uptake by businesses (and government agencies) of ISO 14000 environmental management systems, including product standards, or other internationally recognised systems</p> <p>Provide guides for firms, farms and forests that lay out the relationships between domestic and international eco-standards, regulations and accords so that they can determine those that are most relevant to them</p> <p>Expand the Environmental Choice eco-labelling scheme cover a wider range of products</p> <p>Investigate ways to use the government funds (e.g. Sustainable Development Fund) to encourage commitment to eco-labels and sustainable practices</p> <p>Investigate ways to help reduce the costs firms</p>	<p>Position NZ as a global leader in research & development of life-cycle analysis and application of eco-verification support structures.</p> <p>Work with stakeholders such as Landcare Research to position New Zealand as a leader in carbon-footprint measurement and management in areas that will make the greatest contribution to sustainability and economic transformation</p> <p>Investigate ways to expedite development of a carbon footprint calculator for use in NZ meat sectors</p>	<p>Work with primary-sector stakeholders to develop a greenhouse-gas footprint response, including scoping opportunities for co-ordination of research, eco-verification, promotion, market development and international trade</p> <p>Undertake a stocktake of eco-verification systems for major export sectors to identify gaps and opportunities for development of eco-verification infrastructure</p> <p>Work with sectors to promote good stories about gains made through adoption of sustainability practices</p> <p>Put substance behind 'clean, green' by developing sector-based checklists of the national and international eco-standards, regulations, laws and accords to guide those aspiring to use the brand</p>	<p>Examine possible levers that could be used to shift attitudes and create an economy-wide drive for greater sustainability (e.g. the use of energy-efficient, light bulbs emulating Australia)</p> <p>Strengthen building standards by requiring sustainable design and consideration of life-cycle environmental impacts of building materials</p> <p>Accelerate establishment of national environmental standards under the RMA</p> <p>Work with stakeholders to match overseas developments by incorporating sustainable development assessment into financial reporting standards for business</p> <p>Work with regional councils, standards organisations and other stakeholders on eco-standards for NZ farming so that NZ gets ahead of similar moves in Europe</p> <p>Change the burden of proof</p>	<p>Identify critical areas where we should be seeking to influence regional or international standards development and conformity assessment approaches</p> <p>Increase NZ involvement in relevant ISO committees to build awareness, get access to international research, influence directions and expedite NZ uptake of new eco-standards</p> <p>Review and, where necessary, strengthen alignments between NZ providers of eco-certification services and international standards and accreditation bodies</p> <p>Investigate ways to support participation of NZ technical experts in international eco-standards development</p>	<p>Assess the value of the procurement database as a tool for adding stretch to the sustainability of government procurement</p> <p>Determine how far and fast we should push towards mandatory requirements that suppliers of goods and services to government should meet particular standards (e.g. ISO-14000)</p> <p>Ensure that the carbon-footprint standards, tools and verification methods to be developed to support a C-neutral public sector align with standards, tools and verification methods under development for the private sector</p> <p>Establish links between sustainable government procurement and other groups aiming to move towards sustainable procurement (notably the Southern Tertiary Education Pathfinders Group)</p> <p>Examine the feasibility of</p>
---	---	--	--	--	--

<p>face in collecting eco-data</p> <p>Provide support for firms wanting to get Environmental Choice licenses</p> <p>Encourage university business schools to include teaching of sustainable business practices in their curricula (e.g. in the Maori business development programme at Auckland University)</p> <p>Develop a guide on ways for firms to use sustainability principles in conjunction with environmental management standards like ISO 14000</p>		<p>Investigate the advantages and disadvantages of common bases for eco-standards in the primary sectors, taking account of past failures, current pressures to demonstrate performance and the need to use internationally recognised standards</p> <p>Work with regional and local councils to ensure that, as far as possible, they anchor their operations in internationally recognised standards</p>	<p>about claims about environmental (and other) performance under the Fair Trading Act from the Commerce Commission to the firms that make the claims</p> <p>Review the degree to which existing NZ standards and regulations are anchored in international standards with a view to reducing unnecessary duplication and making the international grounding more obvious</p> <p>Investigate the scope for strengthening standards for energy- and water-efficient products</p>		<p>requiring use of the Global Reporting Initiative GRI3 framework and indicators by public-sector and local-government organisations</p> <p>Make a summary of NZ's approach to eco-verification available on the government website for eco-standards and eco-labels</p> <p>Develop the government database and website on eco-labels and products so that it provides guidance for consumers and households</p>
--	--	--	---	--	---

ANNEX 2: ILLUSTRATIONS OF POSSIBLE COMPONENTS OF KEY ACTIONS

The components of key actions listed below are for illustration only. Advice on actual components for each of the key actions will be provided in the August report back.

Accelerating uptake of internationally recognised standards

Initial components are likely to include:

- working with stakeholders, notably business and standards organisations, to identify practical options for achieving the desired acceleration;
- boosting planned NZTE work aimed at increasing firms' understanding of the advantages of using eco-verification and appropriate eco-labels;
- making rapid progress on a database to provide businesses with information on available eco-labels and eco-standards and tools to help them decide which ones they should use; and
- working with Standards NZ to promote the use of international standards that will help firms meet requirements in overseas markets.

Positioning NZ as a global leader in product life-cycle analysis

The starting points for this key action are likely to be:

- working with stakeholders to make an immediate stocktake of NZ and overseas work on life-cycle eco-verification in key export sectors; and
- identifying an area where pilot projects can be put in place to provide a focus for concerted effort in developing tools and supporting eco-verification systems.

Positioning NZ as a leader in carbon-footprint measurement and management

Initial components could include:

- ensuring that Landcare Research and other research providers have the capacity to meet demand from firms, sectors and regions for carbon footprint assessments; and
- piloting a carbon-footprint calculator for the meat sectors.

Developing a greenhouse-gas footprint response for primary sectors

Likely components under this action are:

- working with stakeholders to identify key risks and opportunities for land-based primary sector producers and exporters in GHG foot-printing and wood miles;
- facilitating development of methodologies and tools that producers and exporters can use to estimate GHG footprints, including development of a voluntary greenhouse gas reporting system for farmers;
- ensuring that information is available on market risks and opportunities in export markets associated with demand for low-carbon products; and
- ensuring that interlinkages are in place with wider sustainability and climate-change policies and sector initiatives.

ANNEX 3: EXAMPLES TO ILLUSTRATE COMPONENTS OF NEW ZEALAND'S ECO-VERIFICATION SYSTEM

Current arrangements for eco-verification are illustrated in the sections that follow using the structure shown in Figure 1 (the numbers in the section headings below cross reference to that figure).

(1) Standards

Eco-verification is anchored both by formal environmental standards for products and services ('product standards' for goods and services and 'management standards' for the way in which firms operate) and by a range of less formal codes of practice and accords. These standards and codes are developed, set and maintained by many different public- and private-sector organisations. Examples include:

- management standards for environmental performance by firms which are set by the International Standards Organisation (e.g. the ISO 14064 standard provides methods for quantifying, reporting and verifying greenhouse gas emissions and removal processes);
- eco-labels for products and processes which are tied to 'standards' ranging in quality from what are essentially promotional claims (e.g. 'environmentally friendly', 'sustainable') to the fully reputable and traceable (e.g. the Environmental Choice eco-label is anchored in international and NZ standards and regulations);
- voluntary industry standards and codes of practice (e.g. the Packaging Accord developed by the Packaging Council of NZ and the Ministry for the Environment provides a voluntary code of practice aimed at encouraging originators of packaging to take more responsibility for the complete lifecycle of materials used);
- voluntary environmental management standards for primary producers (e.g. Demeter is a world-wide standard for food production under biodynamic methods);
- voluntary supply-chain standards and codes of practice (e.g. the Forestry Stewardship Council certifies that timber and timber products come from sustainably managed forests);
- proprietary standards and codes of practice which are being used increasingly by large overseas retailers (e.g. Tesco sets environmental standards for many of the products it buys);
- compulsory standards and codes of practice with environmental and sustainability elements that are put in place by local and regional councils under the Local Government and Resource Management Acts ; and
- mandatory national standards (e.g. minimum energy efficiency standards for products jointly set by Standards NZ and Standards Australia and administered in New Zealand by the Energy Efficiency and Conservation Authority under its Act) and codes of practice (e.g. building codes under the Building Act).

(2) Practical tools

Measurement methods and measurement science underpins eco-standards. Firms also need different sorts of protocols, technologies and processes in order to meet these standards. Examples of these tools include:

- a guide developed by the Sustainable Business Network and the Ministry for the Environment to help businesses adopt practices that will make a positive difference for the environment and society, while at the same time improving their overall business performance;
- a stream-health monitoring kit developed by the National Institute of Water and Atmospheric Research to enable non-scientists to collect consistent, scientifically valid information from small rural streams and to use that information to make assessments of stream health;
- commercial services provided by Landcare Research for calculating carbon footprints, providing advice on ways to reduce emissions and purchasing carbon offsets; and
- the minimum energy performance guidelines under development by EECA to help firms in product design, production-line management and quality assurance.

(3) Verification or conformity assessment

Verification of performance, or assessment of conformity to standards, is required to check that product or management standards are being met. Independent organisations usually act as verifiers (i.e. not the standard setter, the certifier or the firm itself) to ensure integrity (and these organisations are usually accredited by further independent organisations – see (5) below). Examples are:

- about ten firms provide verification services for the ISO 14001 management standard; and
- Independent Verification Services Ltd verifies for Biosecurity NZ that timber packing standards are met.

(4) Certification

Processes are required for issuing certificates which firms can use to show that they are meeting standards. Examples of organisations involved include:

- the NZ Association of Certification Bodies is an umbrella organisation for organisations that are accredited to certify that ISO 14000 standards are met by firms;
- the international Marine Stewardship Council certifies that fisheries are managed sustainably;
- Agriquality NZ Ltd provides standards, guides and certification processes for organic production systems in New Zealand and is accredited by the International Organic Accreditation Scheme; and
- 'Green tick' is a private-sector, internationally-based certification system for the sustainability of products and production processes (there are strong parallels with Environmental Choice NZ – see paragraph 11).

(5) Underpinning arrangements

The national standards and conformance infrastructure is underpinned by official bodies set up under various Acts. These, in turn, have links to international organisations. Key New Zealand bodies are:

- Standards NZ which develops standards for products and systems for New Zealand and jointly with its Australian counterpart and which represents New Zealand on the International Standards Organisation;
- the Joint Accreditation System of Australia and New Zealand which accredits the organisations that carry out the independent audits of ISO 14000 (and other) management systems;
- International Accreditation NZ which undertakes accreditation of inspecting and testing bodies (e.g. chemical laboratories) and which is a member of the International Laboratory Accreditation Cooperation; and
- the Measurement and Product Safety Service and Measurement Standards Laboratory of NZ.

(6) Scanning and updating arrangements

Scanning and updating arrangements are required so New Zealand keeps abreast of emerging international standards and best practices and with emerging needs in New Zealand. These roles are filled formally and informally by a wide range of organisations:

- MFAT, NZTE, MAF, MFish and MED all have responsibilities that relate to exports, trade, and NZ compliance and alignment with international agreements and all have roles to play in keeping NZ in touch with developing international eco-standards;
- the key NZ bodies listed in part (6) play similar roles in their individual spheres of operation;
- sector organisations and marketing bodies play significant roles in preparing firms and producers for changes in overseas standards and regulatory regimes.

(7) Networking

Networking and good information flows are essential to hold the various components of the eco-verification system together. Many organisations contribute here. Some particular examples are:

- the Food Miles Group convened by the Ministry of Foreign Affairs and Trade (noted in Annex 1);
- the Ministry for the Environment's web sites and outreach programmes;
- organisations like the NZ Business Council for Sustainable Development, the Sustainable Business Network and the Natural Step which work across help many different sectors and businesses move towards sustainability; and
- the various organisations mentioned in sections (3), (4) and (5) which create horizontal linkages across sectors and businesses through their work.