MASTER THESIS

CLAIMING THE FUTURE OF GREENWASHING

Enhancing Trust and Justice in the EU Green Claims Directive

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ABSTRACT

Increasing global concerns about the effects of climate change have compelled businesses to integrate environmental practices into their core business models and practices. Through green marketing, businesses aim to position their products as environmentally friendly in an attempt to capitalise on the consumers' willingness to pay 'green premiums' for products with an increased environmental performance. When businesses engage in misleading marketing practices in relation to the environmental performance of their products and services this is called 'Greenwashing'. This causes consumers to no longer trust environmental claims and hinders overall sustainability efforts in the economic market. To address the issue of greenwashing, the European Commission has formulated a Directive to prevent misleading marketing claims and the usage of confusing ecolabels, which is the so-called Green Claims Directive (GCD). The implementation of this Directive will have immense implications for businesses and consumers in, and outside of the European Union. The present research aims to anticipate and evaluate the effects of GCD on public trust and global justice. To this end, an adaptation of Mayer et al., (1995)'s integrational model of organisational trust was employed to analyse the change in trust dynamics when shifting from business to government-endorsed ecolabels. The EU's approach to global justice was analysed using the GLOBUS project and complementary approaches of distributive justice were employed to highlight potential justice issues with the implementation of the GCD. Following libertarian paternalistic frameworks, European-endorsed ecolabels will be conceptualised as 'Nudges' by the European Union. In doing so, these nudges provide a bridge between leveraging trust mechanisms and achieving just and fair policy outcomes. The descriptive and normative analysis in this research informs further discussions on integrating justice principles in policy design and employing nudges as an effective policy instrument to achieve these outcomes. This research was situated in the broader context of environmental policy and greenwashing and provided recommendations to amend the GCD and improve the dimensions of trust and global justice in future.

Key words: Green Claims Directive, Global Justice, Public Trust, Nudging & Green Washing

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1. INTRODUCTION

1.1   GREEN MARKETING

For the past few decades, the world has become increasingly aware of the consequences of climate change, and efforts have been made to reduce these effects globally. Simultaneously, people are more connected with others and the world around them through the emergence of social media and the internet. Nowadays, consumers are more perceptive of climate change's negative effects, and the perceived importance of 'sustainable consumption' increases yearly (Antunes et al., 2015). Because of this exposure to environmental issues and the consumers' ability to inform themselves on important environmental topics, there exists a 'green premium' that consumers are willing to pay extra for sustainable products, compared to regular non-sustainable ones (Drozdenko et al., 2011). Consumers also feel a moral obligation to reduce their environmental footprint ad contribute to the global effort against climate change (Žagar, 2022). With the increasing environmental challenges and the depletion of natural resources, the shift towards sustainable consumption is becoming more critical and urgent (Martin & Chen, 2016). Consumers are becoming more conscious of this and are sending strong environmental signals in their purchase behaviours (Chen & Chang, 2013). However, there still exists a gap between positively voiced attitudes towards sustainability and actual consumption (Prothero et al, 2011). Appropriate and effective green marketing communication strategies are deemed necessary to bridge this gap (Royne et al., 2016). This provides marketing opportunities for businesses.

Increasing global concern about climate change and environmental sustainability is compelling companies to address and incorporate environmental issues into their business strategies and operations (Nidumolu et al., 2009). So-called 'green marketing' would be defined as "the holistic management process responsible for identifying, anticipating and satisfying the needs of customers and society, in a profitable and sustainable way." (Peattie, 2010). In conventional marketing, the goal is to influence attitudes towards specific products or actions in an attempt to sell products and services (Brick & Fournier, 2017). Marketing processes include a wide range of activities, but the most central are the marketing strategy and the marketing mix. The marketing strategy consists of an iterative cycle with different processes to achieve competitive advantage (Rex & Baumann, 2007). After formulating a strategy, consumers are approached with an appropriate marketing mix, consisting of product, price, place and promotion (Kotler & Armstrong, 2010). These practices are founded on theories such as the Theory of Planned Behaviour (Azjen, 1991) which suggest that a favourable attitude towards a behaviour will, in general, increase the intention to perform the behaviour. And in the case of marketing products, purchase intention is, therefore, also the most precise estimator of actual purchasing behaviour (Morwitz & Schmittlein, 1992). In green marketing, a consumer's attitude towards the environment can also be an indicator of their positive response to green product marketing messaging (Grimmer & Wooley, 2014).

1.1.1   Ecolabels

Green consumers base their purchase decisions on a variety of information resources including certifications, reviews and eco-labels (Grimmer & Woolley, 2014). Eco-labels, in particular, serve as important trust signals for green consumers, as they provide third-party validation of a product's environmental attributes, helping to reassure consumers of their authenticity (Thøgersen, 2000). Eco-labels also hold an interesting position within the marketing mix, with some researchers identifying them as a promotional tool (Dangelico & Vocalelli, 2017) and others state it is technical information attached to the product which classifies it as 'product' in the marketing mix (Rex & Baumann, 2007). Eco-labels like organic and Fair Trade have become common in the mainstream market, and new voluntary labels are being introduced to cover criteria not addressed by these established labelling schemes (Thøgersen et al., 2010). Hussain and Lim, (2000) identified three different types of labels. Third parties issue type I labels and ascertain that a product has met a specific standard, such as the Fairtrade label. Type II labels are created by the product manufacturer himself to establish superiority or general positive claims. Type III labels include independent scientific information, positive or negative, such as water usage or carbon footprint (Hoek et al., 2013). Type I and type III ecolabels include some sort of third-party verification and would therefore be expected to be most effective in changing purchase behaviour (Dangelico & Vocalelli, 2017). Woolverton and Dimitri, (2010) support this by stating that type II labels have been found to cause consumers' confusion. Surprisingly, Hoek et al., (2013) found that consumers respond more positively to general rather than specific claims. This would favour type II labels where consumers extrapolate vaguely worded claims and ascribe unsubstantiated attributes to the product.

Regardless of their specific classification, ecolabels provide consumers with information about the environmental quality of products which allows them to select products that are comparatively better for the environment (Thøgersen et al., 2010). Eco-labels are also an important means to increase consumer trust and transparency in environmental marketing claims (Thøgersen, 2002). They are an essential tool for communication in green marketing, yet they occasionally fail to fulfil their intended role due to insufficient or misleading information (FuiYeng & Yazdanifard, 2015). With the rise of sustainable products and green marketing, there has also been an increase in ecolabels, which can confuse consumers (Langer & Eisend, 2007). Sharma and Kushwaha, (2019) studied the usefulness of eco-labels for consumer information communication and knowledge. Their findings highlight that the main purpose of eco-labels is to provide information to consumers to foster their trust towards green products. An increase in trust will in turn foster green purchase intention (Sharma & Kushwaha, 2019). They also indicate that eco-labels with only visual representation and little to no written information do not increase consumer knowledge but instead build consumer doubt. For eco-labels to be effective, consumers have to notice, believe and understand the information provided to them in making a purchase decision, and this thus largely depends on awareness amongst consumers (Simi, 2009). Awareness is even more important for visual eco-labels since their effectiveness largely depends on the prior knowledge of the consumer (Sharma & Kushwaha, 2019).

Eco-labels are perceived as an important identifier of sustainable and green quality and as such help consumers in their purchasing decisions (Testa et al., 2015). By communicating information and increasing consumer knowledge they build trust and positively affect green purchase intention (Sharma & Kushwaha, 2019). Third-party verified eco-labels are the most effective among the different types of eco-labels (D'angelico & Vocalelli, 2017; Testa et al., 2015). But with an increasing amount of labels and marketing claims appearing on the market, this can confuse consumers (Langer & Eisend, 2007), especially since they already experience difficulties with identifying third-party certification schemes and self-certifications of companies (European Commission, 2023). Reversely, engaging in greenwashing by deceptive green claims on eco-labels is the main cause of breach of trust by consumers (Kirchhoff, 2000).

1.1.2   The Issue of Greenwashing

The interconnectedness of the internet allows consumers to be exposed to different ideas and be more informed about the global effects of climate change. Through an overall increasing awareness of global environmental sustainability consumers are pushing for more sustainable consumption (Antunes et al, 2015). This forces firms to adopt more sustainable business models and incorporate sustainability as a strategic and integral part of business to stay competitive (Luchs, 2015). But it also becomes a breeding ground for businesses and policy-makers to influence consumer decisions through 'greenwashing'. Greenwashing is defined as the act of disseminating disinformation to consumers regarding the environmental practices of a company or the environmental benefits of a product or service (Baum, 2012). In a more comprehensive account of the greenwashing phenomenon de Freitas Netto et al., (2020) compiled several major classifications. They separate firm-level and product-service level greenwashing practices in both 'claim' and 'executional' types of greenwashing. In light of this research, greenwashing will be considered mainly in the product-service level claims context. To capitalise on increased consumer awareness of environmental issues and the consumer's willingness to pay a green premium, businesses turn to greenwashing to appear more environmentally friendly (Chen & Chang, 2012). This causes consumer trust to erode and hinders sustainable consumption by allowing companies to benefit without committing to real environmental improvements (Chen & Chang, 2013). As a result, greenwashing would damage the market as a whole, also affecting firms staying true to their claims (Chen & Chang, 2013). The increased scepticism and loss of trust of consumers have made greenwashing a potential threat to the integrity and competitive advantage of businesses (De Jong et al., 2018).

And with all this disinformation present in the market, consumers now face a new challenge of distinguishing between true and false green claims in the overall marketing communication of companies (Khan et al., 2022). The rapid dissemination of information online means that greenwashing claims can reach a vast audience quickly, further exacerbating the problem of disinformation and consumer confusion. An inventory and reliability assessment issued by the European Commission analysed advertisements of 1305 products over 52 specific product types across 15 different EU member states and selected 150 environmental claims for further assessment. National

legal experts involved in the study found that 53.3% of the claims were potentially misleading and 40% of investigated claims were considered unsubstantiated (European Commission 2020). An open consultation issued in the same year found complementary results that consumer trust in environmental claims is quite low. Greenwashing not only deceives consumers but also disrupts the competitive landscape. Companies that genuinely invest in sustainable practices are often overshadowed by those that falsely advertise their environmental accomplishments. This creates a market where the actual value of sustainability is diminished, and consumers are left sceptical and confused about which products truly benefit the environment (Parguel et al., 2011).

1.2   THE GREEN CLAIMS DIRECTIVE

The European Commission recognised these challenges and realised that the application of Directive 2005/29/EC on Unfair Commercial Practices (UCPD) to environmental claims is difficult to enforce since it does not provide specific criteria or methodology to substantiate environmental claims (European Commission 2020). This is why they have issued a proposal for Directive 2023/0085 on substantiation and communication of explicit environmental claims, the so-called Green Claims Directive (GCD). The Directive is now awaiting final approval from the Council after which it will be officially published in the Journal of the European Commission and all member states will have 24 months to implement the Directive into international law. The GCD flies under the overarching flag of the European Green Deal, which comprises several ambitious policy measures and initiatives to transform the European Union into a more sustainable, resource-efficient economy. It consists of 27 Articles outlining the scope, specifications, applications and verifications of the intended amendments. This provides European member states with a blueprint on how to adopt these instructions into national legislation and how to deal with conflicts accordingly. The articles about specific discussions will be brought up in later chapters.

The GCD is part of a series of amendments to the UCPD to empower consumers for the green transition (European Commission, 2023). More specifically the commitment to tackle false environmental claims by ensuring consumers receive trustworthy, comparable and substantiated information to enable them to make more environmentally responsible decisions and to reduce the risks of greenwashing (European Commission, 2023). Next to outlawing unsubstantiated and misleading marketing claims, the Green Claims Directive also wants to focus on more robust sustainability labels, with stricter rules for labelling schemes and approval by third parties under EU law. By establishing minimal standards and limiting the proliferation of new eco-labels the Green Claims Directive aims to improve consumer trust and understanding as well as promote a more fair and equal market space (European Commission, 2023). Standardised and verified ecolabels help promote equality in the market and aim to boost the competitiveness of economic operators.

Successful adaptation of the Directive will greatly influence how sustainable and 'green' products are marketed throughout Europe. It has the potential to promote 'real' sustainability since companies are now challenged to substantiate their claims and follow through with promises in marketing communication. Harmonising labelling standards globally will also increase the potential to enforce sustainability standards and increase the trust of consumers, who often get confused by an abundance of eco-labels (Langer & Eisend, 2007). The GCD also contributes to a more just and equal competitive landscape through strict verification criteria of labelling schemes. This can in turn empower consumers with better access to environmental performance information to inform their consumer purchase decisions.

1.3   PROBLEM STATEMENT

The GCD answers the call for a resolution of the problem of greenwashing. In doing so, the GCD shifts responsibility from private businesses to government-endorsed ecolabels and marketing messages. Consumers would then have to rely on the information provided to them by EU-appointed authorities and labelling certification institutions. Whether this will be more successful remains the question because similar to businesses, governments have their own challenges to overcome. Political scandals such as the Watergate scandal in 1970 have large negative consequences for the public regarding legislative institutions, even if scandals are tied to individual politicians (Bowler & Karps, 2004). Not in the least caused by these types of scandals, there has been a long-lasting decline of trust in political institutions (Citrin & Stoker, 2018). Hetherington and Rudolph, (2020) ascribe this decline in trust to the perception of government overreach and inefficacy. Governments overreaching, abusing their power or adopting manipulative policies can result in a decline in trust and respect for the law (Blocker, 2006). This was the

case for the UK's "Nudge Unit" which tried to apply behavioural economics to improve public policy. They faced severe criticism for manipulating rather than empowering citizens (Jones et al., 2013).

However, other changes are brought about with the introduction of the GCD. Next to attempting to restore consumer trust, the EU plays a crucial role in the broader framework of global justice, aiming for equitably distributed benefits and burdens of environmental actions (Eriksen, 2016). By establishing a standardised framework for evaluating environmental claims, the GCD tries to enhance market transparency and encourage more sustainable corporate behaviours. This alignment with principles of global justice reflects the EU's commitment to fostering a fairer and more sustainable global economy (Sjursen, 2017). However, despite its best intentions and design, the GCD must be careful to avoid falling into the traps of past policy implementation mistakes.

Policy measures designed for powerful economic players such as the European Union can have significant repercussions for global justice in other parts of the world. With the Common Agricultural Policy (CAP) the EU aimed to support European farmers and increase food security. The subsidies given to European farmers allowed them to produce food at a lower cost and export excess produce at artificially low prices on the international market. This so-called 'dumping' makes it difficult for farmers in developing countries to compete, leading to reduced incomes and market access (Anania, 2013). Further analysis of the EU's proposed changes to the CAP post-2020 indicate that the distortions still have not been sufficiently addressed and that high trade barriers further exacerbate existing inequalities between the EU and the global poor (Matthews, 2018). A previous policy measure, the EU's Emissions Trading System (ETS) designed to reduce greenhouse gas emissions through cap and trade systems is a good example. In his book Lohmann, (2006) lays out how carbon trading can lead to a form of environmental colonialism where wealthy nations outsource their emission reduction responsibilities to the third world. By purchasing carbon credits from developing countries, rich corporations can cause land designated for carbon offset projects to be taken from small farmers and indigenous communities. This illustrates that even well-intended environmental policy can perpetuate global injustices by imposing unequal burdens on vulnerable populations (Lohmann, 2006). Policies designed to protect domestic interests can disadvantage stakeholders in developing countries and further exacerbate existing inequalities. These examples highlight that it remains uncertain whether the EU as an institution can protect justice principles on a global scale.

Paired with this uncertainty, is the EUs history of tackling justice problems globally. An analysis of Von Lucke, (2021) highlights the change in EU policy actions regarding justice issues. Where previously legally binding top-down approaches were commonplace, the EU now prefers voluntary bottom-up approaches that leave member states to their own devices. These approaches to justice follow non-domination, impartiality and mutual recognition procedural approaches to justice (Eriksen, 2016). These approaches to justice will not be sufficient to address the potential issues that may arise with the implementation of the GCD. The GCD focuses on policy outcomes, such as better access to environmental information, resources and food options. The effects of climate change tend to disproportionately affect the communities that suffer the most because of global warming (Gardiner, 2011). This is why it is even more important to critically examine the EU's approach to justice, specifically in light of the GCD and how policy effects can be distributed equitably and justly.

The GCD was brought to life to tackle the problem of greenwashing and to overcome pre-existing issues of consumer trust by creating a level playing field and verifying marketing claims. How these specific policies and articles of the directive are implemented, however, can have significant ramifications for global justice. The aim of the present study is therefore two-fold. First, it investigates whether the GCD delivers on its promise to resolve the tension of trust between consumers and businesses. In this investigation, the focus will lie on the shift in trust from business-endorsed to government-endorsed ecolabels. Second, it analyses and applies various justice frameworks to identify issues with the implementation of the GCD. Different approaches to distributive justice will be contrasted, compared and applied to the GCD to come up with recommendations and improvements. Special attention will be given to European-endorsed eco-labels that, conceptualised as nudges, connect the policy effectiveness of trust mechanism with policy outcomes and just and equitable distribution of resources. With this in mind, the present thesis aims to investigate and anticipate the potentially negative effects of implementing the Green Claims Directive in Europe. It will analyse these effects from global distributive justice and public trust perspectives and aims to come up with recommendations and improvements for future legislation. This results in the following research question:

How does the Green Claims Directive affect global justice and public trust, and how might these dimensions be improved in future?

To answer the research question the thesis will be split up into two main parts. Chapter two on trust will focus on the sub-question: How effective is the GCD in addressing the problem of greenwashing and restoring public trust? To answer this question the determinants for improving public trust in governance and business have to be defined and analysed. Central to answering this question is the shift from business-endorsed to government-endorsed marketing claims in the shape of ecolabels, and how this shift affects public trust. Chapter four on justice will focus on the subquestion: What is the effect of the GCD on global justice outcomes? To answer this question it is important to analyse the EU's current and past approach to global justice and how this has affected justice outcomes of policy implementations. It is also important to consider alternative approaches to justice and deliberate how alternatives or combinations of justice principles can positively affect the global justice outcomes of the GCD. Additionally, chapter three on the phenomenon of 'nudging' will focus on the subquestion: How do European endorsed ecolabels conceptualised as nudges influence consumer behaviour towards more sustainable consumption? In this chapter, the role and effectiveness of nudges in leveraging trust mechanisms in achieving just outcomes will be evaluated and critically assessed. The role of autonomy also plays an important role in balancing the costs and benefits of utilising nudges as a policy instrument.

In addressing these sub-questions and ultimately the main research question the present research presents a novel approach in the wider context of environmental policy and greenwashing. The descriptive work in the starting chapters will pave the way for normative discussions on how to improve the GCD in terms of public trust and becoming more in line with global justice principles. This research will contribute to the body of academic knowledge mainly in expanding the application of trust to both business and governance and meaningfully incorporating justice principles into policy implementations of the European Union. This research also explores the effectiveness of nudges as a policy tool in improving policy implementation which contributes to the field of behavioural science.

1.4 THEORETICAL FRAMEWORK

In this research I will employ two separate lenses to look at the issues surrounding greenwashing and the EU's attempt to mitigate these issues through the GCD. On the one hand, I will employ a framework of trust determinants to investigate how public trust is affected by the GCD and how a shift in the dynamics of trust between governments and businesses is facilitated. On the other hand, I will employ a normative framework of several global justice approaches and contrast them with accounts of current EU justice practices, documented through the GLOBUS project. Government-endorsed ecolabels will be conceptualised as 'nudges' by the EU. This conceptualisation bridges the gap between trust and justice by leveraging trust mechanisms to achieve just outcomes. The whole research will be situated in the context of green consumerism and green marketing. Combining both descriptive work on trust and green consumerism in combination with normative efforts to analyse the GCD policy outcomes poses a novel and ambitious research objective.

1.4.1 Green Trust and its Determinants

To conceptualise trust and its determinants, the *Integrative Model of Organisational Trust* by Mayer et al., (1995) will be utilised and expanded. This framework consists of three key determinants that influence an individual's willingness to trust another party. These determinants are ability, referring to the trustee's skills, competencies and capacities to influence situations, benevolence, referring to the willingness to act well and favourable towards the trustor foregoing selfish motivations, and integrity, referring to the perception that the trustee adheres to a set of moral principles that the trustor finds acceptable. Mayer et al., (1995) apply their model primarily within the organisational setting, in relation to employee relationships, leadership effectiveness and organisational performance. The model has, however, been widely adopted across various other disciplines including supply chain management (Doney et al., 1997), information systems e-commerce transactions (Pavlou, 2003) and healthcare management (Hall et al., 2001). In this research, I will therefore expand the model with additional determinants and apply them to both the business and governance context to identify differences in trust attitudes towards government versus business-endorsed ecolabels.

More contemporary work in green marketing focuses on the relationship between greenwashing and consumer trust. Chen and Chang, (2013) conceptualised a framework discussing the influence of greenwashing on green trust and the mediating roles of green perceived risk and green consumer confusion. In their work, they found positive relationships between greenwashing, green consumer confusion and green perceived risk, which negatively affect green trust. In this context, consumer confusion is the failure of the consumer to develop a correct understanding of specific product or service aspects (Turnbull et al, 2000). Green perceived risk is defined as "the expectation of negative environmental consequence associated with purchase behaviour" (Chen & Chang, 2012). Green trust ties into the framework of Mayer et al, (1995) and is defined as a "willingness to depend on a product or service based on the belief or expectation resulting from its credibility, benevolence, and ability about environmental performance" (Chen & Chang, 2013).

The positive relations found indicate that companies should aim to reduce greenwashing to enhance green trust through these identified mechanisms. Other research has already established the importance of trust in consumer purchase intention of organic foods (Curvelo et al., 2019). This highlights the importance and far-reaching effects of greenwashing in combination with the relation of trust in the environmental product market. It also illustrates the interconnectedness of greenwashing and green trust with traditional trust literature.

1.4.2 Ecolabels as Nudges

It has been presented that ecolabels are important identifiers for consumers to determine the environmental performance of products as they help them in their purchase decision-making process (Thøgersen et al., 2010). Ecolabels also serve as an important marker of trust in providing third-party validation of a product's environmental attributes (Thøgersen, 2000). But as powerful and effective marketing tools, they also possess the ability to persuade and manipulate consumers. To identify and analyse this leveraging of trust into purchase behaviour outcomes, the concept of 'Nudging' by Thaler and Sunstein will be introduced to describe European-endorsed ecolabels as mentioned in the GCD.

The nudging conceptualisation seeks to influence individuals' behaviour in a way that makes their lives better while still preserving freedom of choice (Sunstein & Thaler, 2003). It operates on the premise that it is both possible and legitimate for institutions to affect behaviour while also respecting individual autonomy. Thaler and Sunstein define 'nudges' as: *"any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives"* (Sunstein & Thaler, 2008, p.6). To explore this relationship and its effect on trust and distributive justice, in this thesis, the labelling schemes targeted by the GCD will be conceptualised as a form of nudging with the European Union as the choice architect. Nudging can help analyse how consumers make decisions and process information. It presumes that consumers do not always behave rationally and that well-designed nudges can steer them to more sustainable choices (Hertwig & Grüne-Yanoff, 2017). Viewing ecolabels as nudges can also help policymakers design more effective promotion tools for sustainable consumption. It can foster the creation of both impactful and non-coercive policies, aligning with the principles of libertarian paternalism (Reisch & Sunstein, 2016). Classic libertarian views advocate for a "night watch" state that protects individual rights but does not intervene with personal decisions (Nozick, 1974). Paternalism on the other hand, refers to interventions that limit or guide individual choices for their own good, with the potential to override personal preferences (Dworkin, 2020). Thaler and Sunstein try and reconcile these two seemingly contradictory ideas through nudging. Thaler & Sunstein, (2008) pose that design can never be neutral, and because of this policymakers should design choice architectures that help people make better decisions. Paternalism in this context would be considered 'soft' because it does not impose mandates but rather gently steers choices (Loewenstein & Haisley, 2007). This is why Thaler and Sunstein, (2008) reframe paternalism as welfare-enhancing guidance instead of restrictive control. Libertarianism in this context would be reframed to emphasise the freedom to opt-out rather than the complete absence of influence (Sunstein, 2014). Through his refined definition the nudging approach recognises the practical inevitability of influencing choices and seeks to do so in a way that benefits individuals while respecting their autonomy (Baldwin, 2014).

This conceptualisation is not met without criticism. Critics advise caution in justifying soft paternalism since it could lead to more intrusive policies over time (Rizzo & Whitman, 2009). Other ethical debates surround the role of

autonomy within the libertarian paternalism framework (Schmidt & Engelen, 2020). Autonomy in this context will be understood as the capacity of the individual to reflect upon one's desires and motivations and to make choices aligned with one's authentic values and interests (Taylor, 2005). Nudges that help individuals make decisions they would also make upon more critical reflection can be seen as supporting autonomy within this conceptualisation. Chapter three will further explore the ethical considerations that emerge from this specific understanding of autonomy in the nudging context. It will also assess the effectiveness of nudges in balancing personal autonomy and advancing policy outcomes of the GCD.

1.4.3   Global Justice and Distribution

The European Union wants to become a frontrunner in normative change in climate policy in the world (Von Lucke, 2021). The GCD underlines this in its goal to protect and empower consumers to actively contribute to the green transition (European Commission, 2023). The adopted approaches to justice designed to further these policy aims will greatly affect how these policies are implemented. And these policy implementations, in turn, affect the lives and day-to-day functioning of citizens of the different member states. Because of this widespread effect of the adopted justice lens, there exists a need for a careful analysis of the GCD regarding its approach to global justice. The two-part GLOBUS research project by Eriksen, (2016) and Sjursen, (2017) set out to examine the EUs contributions to global justice. In the first work, three conceptions of political justice as non-domination, impartiality and mutual recognition are outlined. The second contribution assesses how these three conceptions can influence the EU's role in promoting justice on a global scale by analysing foreign policies. These accounts of global justice in the EU provide a starting point for further discussions of justice.

Since the GCD focuses less on the political or procedural aspect of justice but more on the outcomes, it makes sense that other frameworks of justice are also considered. Global distributive justice concerns the fair distribution of resources, benefits and opportunities across national borders, especially among disadvantaged populations (Caney, 2005). There are several arguments for using global distributive justice as a lens to analyse the GCD. Environmental degradation, policy measures and burdens of sustainability disproportionately affect the poorest and most vulnerable communities in the world (Gardiner, 2011). It, therefore, makes sense to use a framework that seeks to protect and compensate these vulnerable groups. Distributive justice frameworks can also help out in assuring resource-rich corporations have to adhere to the same standards as less-off players (Fuchs & Kalfagianni, 2010). Distributive justice frameworks also often seek to ensure equal treatment of individuals, recognising that disparities in wealth and opportunities can hinder social cohesion and individual well-being (Sandel, 2009). However, not all distributive justice frameworks are considered equal. Utilitarianism, egalitarianism, sufficientarianism and capability theory frameworks would all take different stances in the just adaptation of the GCD. That is why these distributive approaches will be contrasted with the work of the GLOBUS research project in analysing the EU's approach to justice. Applying these frameworks to the case of the GCD would highlight various justice implications that need to be overcome for a successful implementation of the Directive. The analysis of the GCD would focus on how successful both procedural and distributional frameworks of justice are in accounting for the potential inequalities that are inherent to environmental policy.

2. TRUST

To be able to assess the Green Claims Directive's effectiveness in overcoming greenwashing and reclaiming the trust of consumers, we first need to dive deeper into the different elements of trust. In this chapter, trust will be conceptualised as public trust in business and public trust in governance. This distinction is essential, as the assembled argument in this chapter asserts that the GCD will facilitate a shift in trust dynamics where consumers previously placed trust in businesses but are now required to rely on the government's assurances. Therefore, this chapter aims to examine and define the different types of trust and how the consumer's relationship with the trustee has evolved, accompanied by the various challenges that arise from this transformation. The chapter starts by defining trust and trustworthiness, establishing a theoretical foundation that later informs the more specific contexts of business and governance. The found determinants influencing trust will be harboured under the framework of Mayer et al., (1995)'s three key determinants of trust in ability, benevolence and integrity whose implications to the GCD will be investigated. The following analysis aims to position trust as a key element in the successful implementation of the GCD, and a better understanding of the dynamics of trust will further future discussions and recommendations.

2.1   DEFINING TRUST

Trust is a complex concept that is difficult to define clearly. At its roots the basic concept of trust allows people to live socially by relying on others and cooperating with each other (Simpson, 2012). Specific pluralities of this original root form of trust can give way to nuances that also include the threat of conflict (Simpson, 2012). It is exactly this tension of reliance on others and the inherent risk of betrayal that accompanies it that is key to conceptualising trust (McLeod, 2023). Trust includes taking a risk of being wilfully vulnerable to another party, which can result in the trustee acting opportunistically (Mayer et al., 1995). This inherent danger of trusting someone is also what makes it important to question when this trust is warranted, which is why this question shall be explored more in-depth later in this chapter. Taking this basic concept a step further Mayer et al., (1995) define trust as *"the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the truster, irrespective of the ability to monitor or control that other party" (p.712).* Trust can thus be placed in any party, group or institution but within the scope of this research, trust shall be considered as 'public' trust in both business and government. Public trust is then defined as the degree to which society at large puts its trust in businesses (Pirson et al., 2019), institutions, the government or policy measures.

In a quest to determine what public trust in business constitutes Pirson et al., (2019) draw information from four different conceptualisations. They argue that people express trust largely along the lines of generalised and institutionalised trust, meaning people trust based on their belief in economic institutions and their trust in general procedures and business norms. But when people become vulnerable to a business their attitude to trust is informed by direct experiences and interactions with the company as well as the reputations that business sectors hold (Pirson et al., 2019). In this conceptualisation transparency and fairness are associated with generalised and institutional trust, which accounts for the largest influence of public trust. Competence and benevolence are also important but to a lesser extent, these determinants are associated with reputation-based and stakeholder trust (Pirson et al., 2019). Mayer et al., (1995)'s overall account of antecedents of trust includes similar antecedents in different wording. The main identified characteristics influencing the trustor's level of trust towards the trustee are ability, benevolence and integrity. Ability refers to the trustee's capacity to influence a situation or within a specific domain. Benevolence refers to the willingness of the trustee to act favourable to the trustee and preceding selfish profit motivations. Lastly, integrity refers to the perception of the trustee to hold values and principles that the trustor deems acceptable (Mayer et al., 1995). Central to trusting an actor are these elements of ability, skill or competence paired with transparent, benevolent motives within an ethical belief system that is in line with the trustees. Trustworthiness is also conceptualised along similar dimensions. Levi and Stoker, (2000) indicate the first dimension includes a commitment to act in the interest of the truster driven by morals of caring, promise-keeping and incentive compatibility. The second dimension of trustworthiness relates to the perceived competence in the context-specific domain. Those who are trustworthy would not betray trust as a result of incompetence or acting in bad faith. Throughout this chapter, the dimensions of ability, benevolence and integrity will stay the central focus point for discussions regarding trust. In literature, however, there are many accompanying determinants to be found when talking about trust in both business and governance.

2.2   IMPORTANCE OF TRUST IN BUSINESS

In the business context, trust plays a fundamental role in optimising and improving various business processes (Pirson et al., 2019). It is widely acknowledged as a crucial element of organisational performance (Davis et al., 2000) and serves as a foundation for cooperation and collaboration within organisations, enabling more effective teamwork, information sharing, and decision-making (Dirks & Ferrin, 2001). Trust has been found to drive innovation by fostering a safe environment for employees to take risks and share creative ideas (Clegg et al., 2002). Additionally, trust is essential in customer relationships, as it significantly boosts customer satisfaction (Doney & Cannon, 1997), reduces transaction costs, and enhances long-term loyalty (Morgan & Hunt, 1994).

Trust also plays a key role in shaping consumer behaviour, affecting not only customer satisfaction but also consumer retention and loyalty (Mayer et al., 1995). When consumers trust a business, they are more likely to engage in repeat purchases and maintain long-term relationships, directly impacting profitability (Chaudhuri & Holbrook, 2001). Moreover, trust enhances brand reputation and reduces customer concerns regarding opportunistic behaviour by businesses (Kramer, 1999). This is particularly important in digital and online transactions, where a lack of face-to-face interaction often amplifies the need for trust to mitigate perceived risks (McKnight et al., 2002).

Since trust acts as a catalyst for so many vital business practices and processes, there is an increasing need for public trust in businesses (Pirson, 2007). Despite the importance of trust in business development, Pirson et al., (2019) report a trust 'gap' between the need for trust in business and actual levels of public trust. This gap can lead to reputational risks and potential challenges in maintaining consumer confidence, particularly in industries that have experienced high-profile ethical breaches or scandals (Gillespie & Dietz, 2009). The importance of trust in business processes has made addressing this trust gap a priority for business leaders seeking sustainable competitive advantage (Pirson & Malhotra, 2011).

2.3   IMPORTANCE OF TRUST IN GOVERNANCE

Trust also plays an important role in governance. In environmental policy implementation, for instance, governments are compelled to adopt incentive-based policy regulations that impose sanctions on polluting activities to combat the effects of climate change (IPCC, 2023). The success rate of these policies, however, ultimately relies on the widespread support of the public (Tjemström & Tietenberg, 2008). Research by Fairbrother, et al., (2019) examines the link between public trust and widespread support of environmental policies. In this research, the countries with a higher awareness and concern about climate change and those with a higher level of political trust were found to be most supportive of sustainable policy measures. This further exemplifies the importance of public trust in successful policy measure implementation.

In addition to shaping public support, trust in governance contributes to the perceived legitimacy of policy measures. When citizens trust that government actions are in their best interest, they are more inclined to perceive these policies as legitimate and fair (Tyler, 2006). This legitimacy is essential for the compliance and enforcement of regulations, particularly in cases where policy measures may have direct impacts on the daily lives of individuals or require significant behavioural changes (Dietz et al., 2003).

Furthermore, public trust enhances transparency and accountability, both of which are crucial in governance processes, especially in the face of complex global challenges like climate change. Trust encourages cooperation between the public and governing bodies, reducing resistance to policy initiatives and fostering a collaborative approach to achieving sustainability goals (Levi & Stoker, 2000). In the absence of trust, policies are more likely to face public resistance, scepticism, and even non-compliance, which can hinder the achievement of desired environmental outcomes (Feist et al., 2020). Now that the importance of trust has been established in business and politics, a light will be shed on the different contexts of trust determinants for both situations.

2.4   TRUST IN ECO-LABELS

The importance of eco or environmental labels for the green marketing mix and the consumer purchase decision in its entirety has been thoroughly discussed. In this section, the goal is to understand the dynamics of trust that are at play when consumers use eco-labels as identifiers for their green purchase decisions. This distinction is important since it will inform the later discussion of shifting between business-endorsed to government-endorsed ecolabels.

The most critical factor for influencing consumer trust in eco-labels is credibility. This is determined by the perceived reliability, validity and independence of the certification process (Taufique et al., 2017). Consumers are more likely to trust eco-labels issued by well-known, independent organisations with a long-lasting historical reputation for integrity (Atkinson & Rosenthal, 2014). Examples of eco-labels that have gained widespread consumer trust due to their rigorous certification processes are Fairtrade and Rainforest Alliance to name a few.

Transparency and accountability are other important factors for building and maintaining trust in eco-labels. Consumers need to feel confident that eco-labels are earned based on solid scientific evidence and that the criteria for attaining them are clear and consistent (Thogersen, 2002). These certification procedures should be subjected to regular audits and updates to ensure that they are still in compliance with environmental standards. Also, accountability measures such as third-party verification and non-compliance penalties should be in place to further cement consumer trust. When consumers know about the consequences of failing label standards, they are more likely to trust the labelling schemes which is why independent oversight organisations such as NGOs and watchdog groups are crucial in holding companies accountable (Auld, 2014).

Whether consumers trust eco-labels also depends on their knowledge and stance on environmental issues. The more informed consumers are, the more sceptically they view marketing claims and eco-labels since they are aware of misleading marketing practices such as greenwashing (Taufique et al., 2017). This effect is mitigated for eco-labels with strong scientific backing and histories of credibility. On the other hand, consumers with stronger environmental values and attitudes are more likely to seek out eco-labels in their purchase decision journey, despite their limited knowledge of certification schemes (Taufique et al., 2017). This indicates that although knowledge is important, trust in ecolabels also relies on the consumer's personal values and their commitment to sustainability.

With the implementation of the Green Claims Directive, the European Union will introduce their labelling schemes for environmental products. And despite there being many similarities between the proposed EU-endorsed labelling schemes and the existing third-party labelling schemes, there are also distinct differences. Both third-party and EU labelling schemes are more likely to be trusted by consumers because they are perceived to act neutrally and be rigorous in their certification processes (Harbaugh, et al., 2011). However, the EU labels might have a slight edge over other labelling schemes since they are more well-known and widely perceived as a more legitimate and trustworthy authority with robust mechanisms to ensure transparency and accountability (Delmas & Grant, 2014). Where the EU is seen as impartial and focused on public welfare, businesses are more prone to having conflicting interests and being motivated by profit (Rothstein, 2011). For more knowledgeable consumers or those loyal to specific third-party labels, the EU endorsement may not make a significant difference. For the general consumer, however, government-backed ecolabels can simplify decision-making by providing a reference point of trust (Delmas & Lessem 2017).

2.5   PUBLIC TRUST IN BUSINESS VERSUS PUBLIC TRUST IN GOVERNANCE

As highlighted, placing trust in the government is different from placing trust in a business. Other expectations and standards cement the trust relationship in both situations. In this section, various determinants of trust will be identified to highlight the differences between trust in business and trust in government. This analysis starts out by drawing on the work of Edelman, (2023). Richard Edelman is one of the most respected authorities on the development of trust through reporting on the Trust Barometer. For 23 years his annual survey has monitored and mapped levels and dynamics of trust in various institutions in over 28 countries. What is unique about this study is that, since it is repeated every year, one can identify trends and themes developing over time. One apparent trend that can be observed is the increasing gap between overall trust in businesses and governments (Edelman, 2024). Starting in 2021, fuelled by the events transpiring from the COVID-19 pandemic and further exacerbating in the following years, businesses have overtaken governments as the most trustworthy institutions. Now, in the recent

Barometer, there exists an average 12 per cent point gap in favour of public trust in business (Edelman, 2024). The most important reason for this is that businesses are perceived as far more ethical and competent than governments with over 50 and 30 point difference respectively (Edelman, 2024). One important addition is that Edelmann, (2024) reports absolute levels of trust with specifically tailored survey questions. These questions are geared towards different topics each year with the focus in 2024 being on technological innovations. So although Edelmann, (2024) reports a significant difference in absolute levels of trust between government and business, this does not have to reflect individuals' perception of entrusting these actors to fulfil a specific task. One might not trust the government from a general context but could still trust a governmental institution to do its job successfully. Similarly, The limitations of this specific conceptualisation of trust will be analysed more in-depth in the final chapter.

2.5.1 Adapting a Framework of Trust

This distinction between perceived ethical performance and competence overlaps can also be viewed in light of Mayer et al., (1995)'s framework of trust. But where competence aligns with the determinant of ability, ethical performance is more difficult to harbour under the three pillars of ability, integrity and benevolence. The sometimes vague wording and restrictive classification of Mayer et al., (1995) could therefore benefit from additional determinants to further exemplify the differences between building trust in business and governance.

Transparency is identified by several authors as an important element in fostering public trust. Access to information on decision-making, policy implementation and use of public funds is seen as a democratic right and increases public trust in government (Grimmelikhuijsen et al., 2013). In business, transparency relates more to financial disclosures and corporate governance. Stakeholders expect clear communication about financial performance and ethical conduct (Hodge et al., 2009). *Accountability* as a marker of trust involves holding officials responsible for their actions, regulating judicial oversight and overall functioning of democratic mechanisms (Bovens, 2007). In corporations, this generally translates to accountability towards shareholders and regulatory agencies. Activities include compliance with legislation, responsiveness to consumer complaints and ethical conduct (Hill, 2008). The *effectiveness* of a government is measured by its ability to deliver public services, enforce legislation and reach policy goals that benefit its citizens (Kaufmann et al., 2009). For businesses, effectiveness is often measured by profitability, market share, consumer satisfaction and the efficiency of the general operation (Srinivasan et al., 2009). Although *fairness* is presupposed under Mayer et al., (1995)'s determinant of integrity, he talks little about its specific meaning. When talking about *fairness* in governance, and also in further discussion on justice, it involves equitable treatment of all its citizens, fair distribution of resources and a justice and public service system that operates without prejudice (Rawls, 2017). This concept of 'justice as fairness' by Rawls could also be extended to the allocation of opportunities and benefits provided by businesses. *Competence* overlaps with effectiveness in managing public resources and implementing policies effectively (Rothstein & Stolle, 2008). Similarly, it also assumes market responsiveness, operational excellence and financial performance in businesses (Grewal et al., 2010). *Public Engagement* in the governance context involves citizen participation in decision-making processes, public consultations and being responsive to public opinions (Fung, 2006). In the business context, it translates to being responsive to customer feedback, involvement in communities and engaging with the public through marketing and corporate social responsibility initiatives (Bhattacharya et al., 2008). *Communication* of governments relates to informing the public about policies, issues of public concern and changes in important legislation, which is especially important in times of crisis (Seeger, 2006). In businesses, communication focuses on corporate branding, marketing practices and public relations as well as informing stakeholders and communicating product information to customers (Keller, 2013). A government's *historical performance* also greatly influences trust. Long-term stability, crisis management and successful policy implementations of the past all affect the present level of trust (Levi & Stoker, 2000). Similarly, the influence of historical performance also extends to businesses. Their track record of past financial performance, failures and ethical conduct significantly shape trustworthiness and credibility of businesses (Mishina et al., 2012). Their history of scandals or notable successes also significantly impacts public perception (Pirson & Malhotra, 2011). The final distinction between business and government will be illustrated by *social and political stability*. Public trust and support for a government are deeply rooted in the overall social and political stability of a country. High levels of corruption and social division can undermine this overall level of trust (Rothstein, 2011). Stability is also important in business where stable market conditions, steady performance levels and risk management practices all influence the overall trust level (Kroszner et al., 2007). In times of political or social turmoil, businesses are often perceived as extensions of the state or as entities

susceptible to the prevailing chaotic conditions which would carry over the inherent distrust associated with instability to these businesses (Doh et al., 2003). These additional trust determinants expand and provide more nuance to the integrative model of trust by Mayer et al., (1995). When future discussions consider building or breaking trust, it will be in relationship to the improvement or decline of any of these aforementioned determinants.

2.6   EXPLAINING THE TRUST GAP

What the analyses above indicate, is that determinants of trust are applied differently to the two institutions of trust under investigation. We also perceive an absolute level of trust difference between businesses and governments through the trust barometer of Edelman, (2024). What this analysis does not indicate, however, is *why* this gap exists. In this section, some reasons and explanations for the existence of the trust gap will be presented which will be the starting point for future recommendations in later sections of the chapter.

A part of this explanation can be derived from the difference in expectations the public has of both institutions. This comes as no surprise since several determinants are based on perception, which is formed by our knowledge of the actors involved with the information available to us. Since the public has different attitudes towards and expectations from the government and business, their trust relationship with these actors is different. As noted by Heath, (2006), the expectations placed on businesses are more straightforward and measurable compared to governments, whose role extends beyond simple service provision to include maintaining order and fostering social justice.

Some of the main responsibilities that governments are tasked with are providing public goods and services, ensuring social welfare and maintaining justice (Ostrom, 2010). This immediately places governments in a position where they have to balance interests, which can lead to the dissatisfaction of the public. Failing to deliver any of these key responsibilities or generally being unresponsive to the concerns of the population leads to a decline in trust (Hetherington & Rudolph, 2020). Being involved in these highly politicised areas such as welfare distribution, regulating civil liberties and taxation opens the door for excessive public criticism. Paired with conditions of high uncertainty, where long-term policy objectives clash with short-term needs, this tension is caused to increase further. The democratic process itself further amplifies this issue since political campaigns often champion short-term solutions to win votes, while long-term problems remain (Levi & Stoker, 2000). Additionally, as one of the only formal accountability mechanisms for governments, elections that occur periodically seem distant and people's impact on policy decisions stays remote (Achen & Bartels, 2017). It, therefore, seems that the complex bureaucratic structure of governments causes citizens to distrust governments, despite high expectations.

Businesses, on the other hand, are primarily viewed as organisations whose main objective is to provide goods and services efficiently to the public and generate a profit in the process (Porter & Kramer, 2018). The relationship between businesses and the public is more transactional leading to clearer and more straightforward expectations (Heath, 2006). When meeting these expectations trust is earned in terms of customer satisfaction. Furthermore, businesses enjoy trust benefits derived from the competitive markets in which they operate. Market forces such as competition and consumer preferences act as accountability mechanisms for businesses and force them to innovate and improve to retain consumer loyalty. When businesses fail to meet public expectations, these mechanisms provide a tangible and immediate form of accountability (Besley & Ghatak, 2007). This regulatory aspect of the economic market helps create the perception that businesses might be more responsive to consumer needs compared to governments. Important to note, however, is that levels of trust vary greatly between different sectors where sectors such as 'technology' and 'education' and 'healthcare' score significantly higher than 'financial services' and 'social media' (Edelman, 2024).

Another important distinction factor is that of transparency. In governance, transparency includes the open sharing of information on decision-making processes, public spending and policy implementations. As part of the democratic process it allows citizens to hold the government accountable for its actions (Grimmelikhuijsen et al., 2013). Grimmelikhuijsen and Meijer, (2014) highlight the double-edged sword of transparency practices in governance where it is capable of enhancing public trust if managed well but also risks erosion when misused. By contrast transparency efforts in business often pertain to financial reporting, corporate governance, and disclosure of operational practices, aiming to build stakeholder confidence, reduce perceived risks, and maintain market competitiveness (Hodge et al., 2010). When businesses are transparent about their operations, it is easier to gain

and maintain public trust, as their accountability efforts are seen not just towards their shareholders but to society (Porter & Kramer, 2011). However when transparency efforts seem selective or insincere, such as during scandals or crises, public trust can decline quickly (Simons, 2002a). The role of expectation, again, plays an important role in the effect of transparency efforts on trust in business and governance. People generally expect governments to act in the collective interest, holding them to high moral standards. For businesses trust is more transactional, focussing on competence and ethical behaviour. Transparency failures often result in financial repercussions and reputation damage, as was the case in the aftermath of the Volkswagen emissions scandal (Ewing, 2017).

In this section, both authority and transparency have been identified as important determinants of the perceived gap in trust between businesses and governments, as also reported by Edelman, (2024). In an attempt to explain this gap, a difference in task and expectation placed upon both organisations seems to be the dividing line that separates them. Later in this chapter, specific recommendations for dealing with this trust gap shall be explored.

2.7   APPLYING DETERMINANTS TO GCD

Trust in both business and government is a fundamental element in the functioning of modern societies. This trust is shaped by various determinants. Mayer et al., (1995) attempted to consolidate these determinants into three primary categories but additional determinants were added to supplement the existing pillars. These determinants provide a useful framework for understanding how trust is built and maintained in different institutions. For this study, these determinants must be also viewed in the light of the GCD to better understand how a change from business to government-endorsed ecolabels affects public trust. Using Mayer's main three pillars of ability, benevolence and integrity, we shall harbour and unpack the complementary determinants from the previous section and apply them to the context of the GCD. Here, competence, effectiveness and historical performance shall be referenced under ability. Public engagement, communication and political stability shall be referenced under benevolence. And finally, fairness, accountability and transparency shall be referenced under integrity.

To reiterate, Mayer et al, (1995) defined 'ability' as the perceived competence and skills of an institution to meet expectations. Governments are expected to provide oversight and implement effective policies which requires a high level of expertise and resources in environmental regulations. Applied to the GCD, *competence* relates to the ability of governments to appoint officials and agencies to accurately assess the environmental impacts of products and certify labelling schemes based on strict criteria. When managed competently, government-endorsed labels, supported by scientific research and policy expertise, have the potential to significantly improve the accuracy and reliability of ecolabels. Similarly, *effectiveness* is key to building trust. The GCD aims to centralise ecolabel standards under governmental control to reduce and regulate the abundance of ecolabels in an attempt to minimise consumer confusion. The effectiveness of this policy will be measured by its ability to curb greenwashing and enhance consumer understanding. With their ability to enforce compliance and provide consistent regulation, governments are better equipped to ensure the integrity of eco-labels than businesses, which can be influenced by competing market pressures (Olson et al., 2005). Additionally, *historical performance* supports the trustworthiness of government-endorsed ecolabels. Unlike businesses, which mainly pursue sustainability for monetary gain, governments have a known record of delivering environmental and sustainability-promoting public services (Grimmelikhuijsen et al., 2013). This track record of competence can help strengthen public confidence in their ability to manage ecolabel schemes.

Benevolence is the extent to which the trustee is willing to act in the trustor's best interest, aside from an egocentric profit motive (Mayer et al., 1995). Under the GCD, eco-labels are designed to benefit not only consumers but also the environment as well as create a fairer and more level landscape in the economic market as a whole. First, *public engagement* and *communication* are crucial for establishing trust in government interventions like the GCD. Governments are expected to involve citizens and stakeholders in the policy-making process, ensuring that their concerns and interests are reflected, in this case in ecolabel standards (Fung, 2006). The GCD has been developed to improve consumer knowledge and protect consumers from misleading claims, reflecting a genuine effort to engage with public concerns about environmental sustainability. In this context, public engagement can be seen as a core feature of benevolence, demonstrating that governments are more likely to prioritise public interests over profits. *Political stability* influences trust by ensuring that ecolabel policies will be consistently applied and supported across different administrations and regulatory environments. Businesses, on the other hand, face varying market

conditions and pressures, which may lead to inconsistent application of environmental standards over time. Government oversight provides a more stable and predictable framework for the management of ecolabels, enhancing their credibility (Kroszner et al., 2007).

Integrity relates to trust as the perception that the trustee adheres to a set of principles that the trustor finds acceptable (Mayer et al., 1995). Government-endorsed ecolabels are more likely to uphold *fairness*, ensuring that all businesses, regardless of size or market influence, meet the same stringent environmental standards (Delmas & Grant, 2014). In contrast, business-endorsed ecolabels have been criticised for favouring larger companies that can invest more in certification, compliance, and promotion, which allows them to secure ecolabels more easily and leverage them for competitive advantage against smaller firms (Grolleau et al., 2007). The GCD aims to address this issue by creating a level playing field with consistent and fair labelling criteria. *Accountability* is also significantly enhanced through government oversight. Government-endorsed ecolabels provide a formal mechanism for holding organisations accountable for false or misleading claims. Regulatory bodies can impose penalties or withdraw certifications which provides a stronger form of accountability than what might be expected from self-regulation within the business sector. As Bovens, (2007) notes, accountability in governance involves holding officials and institutions responsible for their actions, and this same principle can be applied to ecolabel regulation. Lastly, *transparency* is also a cornerstone of the framework of the GCD. Government-endorsed ecolabels are subject to public scrutiny, as information on certification criteria and environmental impact are openly available. This starkly contrasts with business-introduced ecolabels whose methods are often clouded in ambiguity, leading to legitimacy issues and scepticism (Grimmelikhuijsen et al., 2013). The transparency provided by government oversight, as stated in the GCD, increases trust by ensuring that consumers have access to clear, verified information about the environmental performance of products.

2.8 TRUST, MISTRUST AND DISTRUST

Now that vital determinants for building trust have been discussed, it is important to explore what happens when trust is broken, breached or lost. Placing trust in a party always involves making oneself vulnerable to the entrusted party, and is therefore relational and seldom unconditional (Levi & Stoker, 2000). Trust can, thus, be dangerous since we risk losing things valuable to us that we have entrusted to others once trust has been betrayed (McLeod, 2023). The absence of trust manifests itself in literature in two ways, distrust and mistrust. Citrin & Stoker, (2018) distinguish that distrust reflects an affirmed belief that the other party is untrustworthy, whereas mistrust indicates scepticism or doubt regarding other parties' trustworthiness. Adding to this, Jennings et al., (2021) include associated attitudes and behavioural consequences to the types of trust. Trust includes attitudes of loyalty, commitment and confidence paired with behavioural implications of compliance and participation. Distrust comes with attitudes of insecurity, contempt, cynicism, fear and anger with behavioural effects of withdrawal and defiance. Lastly, mistrust is paired with attitudes of caution, questioning, and watchful behaviour, as well as the behavioural consequences of standing by to act and making an effort to be informed (Jennings et al., 2021). Marsh & Dibben, (2005) expand on this discussion with the introduction of 'untrust', which operates between the rather large gap of trust and distrust. It is instead a measure of how little the trustee is trusted, meaning there exists little confidence that the trustee is acting in the best interest of the truster.

Some work is done on these different degrees of trust, but they are not abundant or consistent across the bodies of literature under discussion in this research. Most studies about trust focus on the dichotomy of trust and distrust although acknowledgements of a state of neither trust nor distrust, see for example Levi & Stoker, (2000), also indicate that there are non-binary states of trust such as mistrust and untrust. For the analysis presented in this study, using a coherent definition of trust becomes increasingly difficult when different bodies of literature do not carry the same meaning.

2.9 BREAKING TRUST

The importance of trust in governance and business has been elucidated in the paragraphs above. This is why it is vital to understand why trust is broken and what happens when it is broken. Breach of trust can have widespread negative consequences for both businesses and governments. Alongside the trust gap between businesses and governments, Edelman, (2024) has also found that people are significantly more likely to trust scientists and even people like themselves compared to government leaders and CEO's, who are least trusted. Some of this effect can

be explained by the increase in public scandals covered in the media. When trust is broken, one of the three pillars of trust has been breached, and the values upholding them are forfeited in some way.

In business, trust is most often broken due to unethical practices, lack of transparency and corporate misconduct. This happens, for instance, when there is a disconnect between a company leader's promises and their deeds (Simons, 2002). Trust erodes over time when commitments are not met or actions are shrouded in deception. Scandals such as the Volkswagen emission scandal showed how deliberate deceit and manipulation can severely damage public trust in businesses (Ewing, 2017). Scandals such as these erode several of the pillars of trust mentioned previously. It conflicts with transparency and other determinants of the benevolence pillar while creating an environment suited for distrust. This is exponentially magnified when scandals are accompanied by malicious leadership and the failure of governance structures, which are supposed to act as safeguards against unethical behaviour (Bachmann & Zaheer, 2013).

One of the most direct consequences of high-profile scandals and breaches of trust is damage to a company's reputation which significantly impacts a company's competitive position (Fombrun, 2005). With the prevalence of social media and the increasing speed at which news travels, these negative consequences to a company's reputation are further amplified (Coombs, 2007). A second effect of betrayal of trust which usually results from the first effect is financial repercussions. This can take the form of loss of consumers, reduced sales and costs associated with legal fees and fines imposed by authorities. Market penalties might also arise from a drastic stock price crash resulting from unethical behaviour being revealed by the media (Karpoff et al., 2008). But next to severe short-term financial effects, there also exist repercussions in the long term. As trust is a key driver of customer satisfaction and customer retention a breach of trust can lead to a loss of consumer loyalty and further financial deterioration (Doney & Cannon, 1997). Ongoing financial consequences can also result from increased regulatory scrutiny and compliance costs. When ethical norms are violated it often attracts attention from regulatory bodies which can lead to audits and investigations. This happened following a series of financial scandals involving Enron and WorldCom in the early 2000s and led to the Sarbanes-Oxley Act which imposed more stringent reporting standards on publicly traded companies (McLean & Elkind, 2013). Although these regulations are designed to help restore consumer trust, they also inflate operational costs for companies to comply with this new legislation (Coates, 2007). A final consequence of betrayal of trust in the business context is related to the internal organisation of the companies. Employee morale and engagement can suffer severely when employees perceive their organisation to be untrustworthy in the aftermath of unethical conduct and as a consequence are less likely to remain committed to their work and their place of employment (Dirks & Ferrin, 2001).

Public trust in government is a fundamental element of democratic governance and societal stability. It underpins the legitimacy of governmental institutions, enables effective policy implementation, and fosters social cohesion and a sense of belonging within the communities. Similarly to businesses, this trust can be betrayed by public scandals and unethical practices by governmental parties and high-level politicians. One of the primary drivers for the breach of trust in governmental institutions is corruption, which is defined as the abuse of public power for private gain (Rothstein, 2011). Previous research has already highlighted the negative consequences of political scandals on the popularity and perceived esteem of government leaders (Lanoue & Headrick, 1994). Bowler and Karp, (2004) extend this notion with the argument that individual politicians' scandals have wider consequences for the public's opinion on political institutions as a whole. With the erosion of social cohesion originating from the breach of trust comes social fragmentation and polarisation as societal groups start to view the government with suspicion (Putnan, 2000). This erosion of trust is also linked to the rise in popularity of populist movements in many democracies (Mudde, 2004). The betrayal of trust also undermines another cornerstone of effective democratic governance, namely that of active public participation. When trust is lost in a government, citizens are less likely to engage in civic activities such as voting, attending public meetings or adhering to policy measures (Nye et al., 1997). Hetherington and Rudolph, (2020) highlight that voter apathy, where citizens are disillusioned with the effectiveness of their participation, is a result of government distrust and weakens the democratic process and the responsiveness of institutions. Additionally, a lack of public engagement and participation can lead to less representative governance which further exacerbates the vicious cycle (Dalton, 2004). When the trust relationship between citizens and the government has deteriorated too much, resistance movements can arise from public protests to outright non-compliance which makes it harder for governments to reach their policy goals (Tyler, 2006).

As is outlined in this paragraph, both businesses and governments have unique challenges to overcome regarding the breach of trust. The circumstances of these challenges, however, differ in nature and impact. For corporations, trust breaches are often caused by profit motives and conducting unethical business practices, whereas in government breaches are associated with incompetence, corruption and lack of accountability (Rothstein & Eek, 2009; Vaughan, 1999). The consequences are also different, with businesses facing market-driven penalties like loss of reputation and revenue while governments face societal consequences such as civil unrest and a decrease in democratic legitimacy (Karpoff et al., 2008; Rothstein, 2011). Betrayal of trust can thus have devastating ramifications for effective governance and business practices, but it can sometimes also be repaired.

2.10   REPAIRING TRUST

There exist many trust reparation strategies that both government and businesses can employ in an attempt to restore the damages done. The account of these strategies presented in this section will be brief since they fall out of the scope of this research. The role of trust is progressively narrowed down to marketing messages and ecolabels as described in the GCD, and in this context, complete breaches of trust are less appropriate. Misleading advertising can shake consumer confidence in a brand, but often these practices are seen as temporary lapses rather than outright breaches of integrity (Mabkhot et al., 2017). In cases where the misleading claims are minor or do not directly harm the consumer, brands may not need to engage in extensive trust repair, as consumers are more willing to forgive and continue their relationship with the brand (Delgado-Ballester & Munuera-Alemán, 2001).

One of the ways to address these minor trust violations is through actions like issuing public apologies or providing compensation (Dutta & Pullig, 2011). Gillespie and Dietz, (2009) emphasise the importance of conducting thorough investigations to identify the cause of the trust breach. By acknowledging the wrongdoings openly, companies can begin the process of restoring trust. Sometimes governments step in with legislation to prevent further deterioration of trust. As was the case for the previously mentioned compliance programs such as the Sarbanes-Oxley Act that were designed to restore public trust (McLean & Elkind, 2013)

2.11   TRUST CHALLENGES

The GCD introduces a change in how sustainable products will be marketed throughout the European Union. It also introduces European-endorsed ecolabels to remove ambiguity and confusion from the market. Accompanying this change, however, is a shift in responsibility from businesses to the European Union member state governments who now have to guarantee rigorous certification of labelling schemes. On the surface, this change aims to enhance trust in environmental labels by leveraging governmental oversight, which is presumed to provide greater transparency, fairness, and accountability. However, this transition presents some fundamental challenges. In this section, the challenges accompanying the implementation of the GCD for public trust will be critically analysed by linking them to the relevant determinants. An evaluation of the shift from business to government-endorsed ecolabels will provide recommendations for future efforts to improve trust along all dimensions.

One of the most significant challenges to start with is the trust gap identified by Edelman, (2024), which states that the public trusts businesses significantly more than governments. The European Union as a specific institution is distrusted in 12 out of 28 surveyed countries. Although many European countries remain neutral, such as Spain, Italy and the Netherlands (Edelman, 2024). This trust gap creates tension in the duality of public trust, as government-endorsed eco-labels may not automatically restore consumer confidence if the public's overall trust in governmental institutions remains lower than that of businesses. This could indicate that an ecolabel introduced by government institutions would not be received with a warm welcome. This statement requires more nuance, however, as was the case in prior sections. The difference in expectations of both institutions may explain this trust gap as governments have more elaborate and higher expectations, while expectations of businesses are more straightforward (Heath, 2006). Edelman, (2024) also finds that people's general trust levels in specific industries do not translate into a level of trust for innovations flowing from that industry. This means that just because the general trust level of governments is lower, this does not mean the public cannot view introduced ecolabelling schemes as trustworthy.

Another point raised in previous sections was that of the perception and expectation of both institutions. Businesses and governments both have their distinct challenges when it comes to transparency and accountability. Overall, businesses are perceived as more efficient and responsive to consumer needs due to fast market mechanics. In

contrast, governments are often perceived as bureaucratic, slow and less responsive to public concerns. Governments might be constrained by resources and political agendas which can hinder open communication and policy implementation (Head, 2022). Businesses often already have systems of public reporting and stakeholder engagement in place (Porter & Kramer, 2011). So it again raises the question of whether governmental agencies who are perceived as less efficient than private sector organisations, will be able to implement and manage ecolabelling schemes effectively. Unlike businesses, however, governments are not driven by direct profit motives and have a track record of public service delivery, specifically in the areas of environmental protection and sustainability (Grimmelikhuijesn et al, 2013). Businesses also have to face varying market conditions and pressure which can lead to inconsistent applications of environmental standards over time. Government oversight provides a more stable predictable framework to manage labelling schemes, which can enhance credibility (Kroszner et al., 2007). So where governments might be perceived as less efficient, they make up for in rigidity and stability. This rigidity, would, on the other hand, impede swift updates in regulations when the market needs to respond to emerging environmental concerns.

Another challenge relates to political stability and trust in institutions, especially in countries where corruption or inefficiency in government is prevalent. The numbers on public trust presented in this study following the Edelman, (2024) study are averages measured over the 28 surveyed countries, but in reality, the values between countries can vary greatly. From a trust index of 39 and 47 in the UK and France to 76 and 79 in India and China respectively (Edelman, 2024). Public trust in governments is deeply tied to the overall political climate, and in instances where political institutions are seen as unreliable or corrupt, government-endorsed ecolabels may inherit this scepticism. This issue is particularly relevant in regions with less stable governance structures, where the introduction of government-endorsed ecolabels could fail to inspire confidence (Rothstein, 2011).

Some reflection should also be directed towards the original policy implementation goals of the GCD. While effective for promoting the purchase of products in possession of EU ecolabels, over-reliance on eco-labels could lead to a loss of consumer engagement with the nuances of sustainability (Delmas & Burbano, 2011). Additionally, eco-labels, while guiding consumer choices, may reinforce a sense of complacency, leading consumers to believe their purchase behaviour alone is sufficient to tackle environmental sustainability. This can detract from more impactful systemic changes needed to address climate change (Shove, 2010). Furthermore, applying eco-labels does not necessarily alter the structural dynamics of the market it remains the consumer's responsibility to change behaviour, which can be challenging if sustainable options are not readily available or affordable.

A final point that will be further developed in the chapter on distributive justice is the issue of inclusivity. A lot of smaller businesses and brands might not have the resources or capacity to apply for EU certification. This can disproportionately favour larger corporations that can afford the often costly certification requirements. Smaller businesses may find this to be more difficult which leads to their exclusion from an increasingly eco-certified dominated market (Harbaugh, et al., 2011). This lack of inclusivity and representation might also have further implications for consumer trust. When consumers perceive that only large, well-established brands are represented by EU eco-labels it can foster skepticism and raise issues of fairness. Over time this could lead to a reduction in the integrity of the certification process and the belief that there are exterior motives at play outside environmental sustainability. Reflecting on the determinants of trust, governments are lacking in the domain of ability, but outshine businesses when it comes to benevolence and integrity. However, significant steps still have to be taken to improve the building of public trust.

2.12 ADDRESSING THE TRUST DEFICIT: WHAT NEEDS TO BE DONE

To ensure that government-endorsed ecolabels under the GCD achieve their intended effect, several measures must be taken to increase public trust, and consequently, policy implementation. First, improved transparency will be critical. Transparency is fundamental to trust in both governance and regulatory systems (Grimmelikhuijsen et al., 2013). Governments must ensure that the certification process for ecolabels is fully transparent, with publicly accessible information on the criteria, assessment methods, and outcomes of ecolabel certifications. Embedded transparency regulations in the GCD, such as the certification standards and compliance measures can safeguard against the risk of industry influence, making it harder to effect ecolabel standards (Rose-Ackerman, 2001). Transparency in ecolabel criteria and certification processes also helps improve consumer trust through increased

integrity by providing verifiable information about environmental claims (Atkinson & Rosenthal, 2014). Establishing an independent auditing system could also improve transparency, reducing the perception of political interference or inefficiency (Kaufmann et al., 2009). Independent third-party oversight has been found to increase public confidence in regulatory processes by mitigating the risks of bias and political manipulation (Gisselquist, 2012).

Second, public engagement must be prioritised to help consumers better understand the information presented to them and create a sense of shared responsibility. Fung, (2006) argues that public engagement increases legitimacy by involving diverse stakeholders, such as consumers, environmental groups, and businesses, in decision-making processes. Involving stakeholders in a collaborative approach can enhance consumer understanding and support. Public engagement has proven effective in enhancing policy legitimacy and fostering trust in regulatory interventions (Nash & Walters, 2015). Consumer confidence in the product may also improve if the customers are involved in the standardisation process (Van Amstel et al, 2008). Involving a broader group of stakeholders has been shown to improve policy outcomes and enhance trust in public institutions (Bishop & Davis, 2002). Initiatives that help engage the public in labelling certification and verification practices can thus help to foster the building of trust.

Third, governments must demonstrate competence and effectiveness in implementing ecolabel standards. Consumers are more likely to trust ecolabels if they perceive the government to have the required expertise, resources and capacity to implement robust certification processes (Grimmelikhuijsen et al, 2013). Reliance on life-cycle analyses as indicated in *Article 3* can help add scientific foundations to these labels, but the complexity of these processes can also alienate consumers who lack environmental literacy (Harbaugh et al., 2011). Governments need to assign regulatory agencies accordingly, ensuring that they consist of members with the necessary expertise and resources required to oversee ecolabel certifications. This may require investment in training, partnerships with scientific institutions, and collaboration with international environmental organisations to ensure best practices are followed (Levi & Stoker, 2000). An emphasis on regulatory capacity-building and knowledge-sharing has been shown to improve policy effectiveness and strengthen public trust (Borrás, 2011).

Fourth, accountability mechanisms should be strengthened to mirror the market-based accountability systems that businesses operate under. Bovens, (2007) highlights that accountability is essential to ensuring trust in governance systems. Through the GCD, nation-states are tasked to appoint independent verification bodies to oversee compliance, this would reinforce the legitimacy of the GCD and mitigate suspicions of corruption (Kaufmann et al., 2009). *Articles 11 and 14* of the GCD outline the requirements for the verifying body and the power of authorities, which is indicative of an impartial and stringent accountability mechanism. Accountability can be further enhanced by providing regular reports on ecolabel performance and ensuring that certification bodies are held to high standards of ethical behaviour (Rose-Ackerman, 2001). Such mechanisms would provide an added layer of trust by ensuring that government agencies are held accountable for their actions in the ecolabel certification process. Strengthening accountability mechanisms within public regulatory frameworks is crucial in improving trustworthiness and credibility (O'Neill, 2002).

Despite the challenges, the shift towards government-endorsed ecolabels under the Green Claims Directive represents a positive change, albeit one that requires careful implementation. While the public may generally trust businesses more than governments, business-endorsed ecolabels have shown their limitations, particularly in terms of transparency and accountability. By introducing government oversight, the GCD seeks to standardise ecolabel criteria and reduce greenwashing, which ultimately benefits consumers and the environment. However, to succeed, governments must actively address the trust deficit through improved transparency, engagement, competence, and accountability. For government-endorsed ecolabels to enhance trust effectively, they must be presented in a way that balances scientific rigour with accessibility, ensuring that consumers understand the labels without needing expert knowledge. The duality of trust in business and government need not be a zero-sum game, both institutions can work together to create a more reliable and trusted system of ecolabels. Government endorsement adds an essential layer of oversight and consistency, while businesses remain key players in driving innovation and efficiency in sustainable practices. This sentiment is supported by Edelman, (2024) who reports a 15 per cent point increase in the demand for business-government partnerships when it comes to innovations over the past decade.

3. NUDGING

The Green Claims Directive was constructed to combat the abundance of greenwashing present in the economic market. This caused consumers to distrust marketing messaging and hurt the overall effort of sustainability. To address this standoff between consumers and businesses who market their products as green and sustainable, the European Union included ecolabels paired with substantiations to prohibit misleading marketing claims. In this chapter, these ecolabels will be conceptualised as a form of Nudging by the European Union. Although the European Commission does not explicitly use the term 'nudging' in any official communication regarding ecolabels. In this chapter, I will make the claim that the strategic intent behind these ecolabels mirrors the essence of nudging theory. In doing so the nudging framework helps to create a bridge between leveraging trust mechanisms to more effective and equitable policy outcomes of which the global justice component shall be analysed further in the next chapter. Nudging theory helps to analyse whether the efforts of the GCD will prove successful in restoring public trust in their quest to combat greenwashing. It also helps to raise ethical questions against marketing practices to influence consumer behaviour. The goal of this chapter is to tie together the objectives of trust restoration with other intended policy outcomes that introduce issues of distributive justice. In previous chapters, I discussed the effects of ecolabels on trust and how the dynamics of trust have changed due to a shift from business to government-endorsed ecolabels. In the present chapter, I shall investigate the effectiveness of nudges as a policy tool in leveraging trust mechanisms to promote the goals of the GCD. I will also highlight the potential dangers of adopting nudges as a policy tool, and will further relate these issues to justice outcomes in chapter 4.

3.1 WHAT ARE NUDGES?

In the Paternalistic Libertarianism approach of Thaler and Sunstein, (2008) 'Nudging' is defined as: *"any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives"* (Thaler & Sunstein, 2008, p.6). Its libertarian foundation balances respect for individual autonomy while the paternalistic foundation steers consumers into decisions that improve their (collective) welfare. So unlike traditional policy tools that mandate or financially incentivise specific behaviours, nudges subtly influence how choices are presented to the consumer. They influence decision-making by leveraging cognitive biases and heuristics often called the automatic "System 1" processes. These psychological mechanisms are typically quick, automatic, and occur without much conscious thought, contrasting with the slower, more deliberate and reflexive "System 2" processes. System 2 mechanisms come into play when people carefully evaluate their beliefs, justify actions, and weigh off different reasons (Kahneman, 2011).

Several cognitive biases flowing from this dual-processing conception can be identified in the literature to exemplify the effectiveness of nudges. One of the most widely used nudges involves setting a default option that people will select if they take no action. This "default bias" leverages the tendency for individuals to stick with the status quo, particularly in complex decision-making scenarios. Defaults have been successfully used in policy areas such as organ donation and retirement savings, where opting-in schemes have significantly increased participation rates (Jachimowicz et al., 2019). Other nudges aimed at the tendency to conform to social norms have also proven to be effective. These types of nudges operate on the principle that people are more likely to adjust their behaviours to align with perceived norms in society. For example, when informing households about their energy consumption relative to neighbours in their street it encourages the reduction of usage (Schultz et al., 2007). Finally, the 'framing effect' first identified by Tversky and Kahneman, (1974) posits that individuals make different decisions depending on how information is presented. In this case, labelling a product as 80% green energy usage, rather than 20% traditional energy usage encourages sustainable consumption patterns due to positive framing. By framing choices as positive or socially desirable nudges can guide behaviour without limiting choice. These examples illustrate how nudges can tap into human tendencies to use system 1 cognitive decision-making processes. Although the "dual processing" theory is debated and may present a simplified view of human cognition, it remains a valuable framework. This model has expanded the understanding of influencing behaviour beyond just informing or convincing individuals (Thaler & Sunstein, 2008). It presumes that consumers do not always behave rationally and that well-designed nudges can steer them to more sustainable choices (Hertwig & Grüne-Yanoff, 2017).

In their paper providing an overview of the debate on the ethics of nudging, Schmidt and Engelen, (2020) outline 4 main arguments in favour of nudging. The first is cost-effectiveness and evidence-based policy. Nudges offer policymakers a cost-effective tool to promote beneficial outcomes, such as healthier behaviours, environmental

sustainability, and tax compliance. Behavioural insights allow for practical, low-cost interventions that can be tested and refined using evidence-based methods, including randomised control trials (Arno & Thomas, 2016). The iterative testing of nudges helps policymakers focus on effective interventions, enhancing policy efficiency without the need for expensive regulation. Second, nudges preserve freedom of choice. Because nudging maintains options, it tends to be less controversial than more restrictive measures, potentially appealing across political and ideological divides, making it a flexible tool in diverse policy settings (Schmidt & Engelen, 2020). The third argument relates to public acceptability. Research suggests that citizens often favour nudges over traditional measures like taxes or fines, especially when the nudges align with their personal goals and are implemented by trusted entities. Studies indicate that nudges are generally well-received, particularly when they support widely endorsed outcomes, such as health or environmental goals (Hagman et al., 2015; Reisch & Sunstein, 2016). This higher acceptability can facilitate smoother implementation and greater compliance. And the final argument is about the inevitability of choice architecture. As Thaler & Sunstein, (2008) highlight: "*there is no such thing as a 'neutral' design"(p.3)*. Choice architecture is therefore, often, unavoidable as decisions are always influenced by how options are presented. Given that there is no truly neutral way to frame choices, policymakers argue that intentional nudging can guide individuals toward more beneficial decisions, acknowledging that completely neutral choice architecture is a rarity (Sunstein, 2015). The inevitability argument suggests that if the choice architecture will influence decisions regardless, intentionally designing it for beneficial outcomes is ethically and practically justified. Now that we have established why nudges might be desirable and what fuels their effectiveness, it is important to understand how they can be operationalised and by what choice architects.

3.2   OPERATIONALISING NUDGES

Nudges are increasingly applied in public policy as tools to address complex social issues, from improving public health to enhancing environmental conservation efforts. Their appeal lies in their non-intrusive nature and adaptability across diverse policy contexts, particularly in situations where traditional incentives or regulations may be ineffective or costly.

Nudges have been widely adopted in public health initiatives to encourage healthier choices and reduce healthcare costs. Examples include placing warning labels on sugary drinks, promoting flu vaccinations through default appointments, and using graphic images on cigarette packages to discourage smoking (Hollands et al., 2016). These interventions align individual preferences with public health goals, often achieving higher compliance rates than policies relying solely on information dissemination. In the financial sector, nudges help individuals make informed choices about savings and investments, particularly in retirement planning. Auto-enrolment in retirement savings plans is one example highlighted by Benartzi and Thaler, (2013). This leverages default bias to ensure that more employees save for retirement. Also in environmental policy implementations have nudges been embraced to promote sustainable behaviours. Examples include the comparative energy consumption data of neighbours mentioned previously, as well as default options for paperless billing or reusable bag options at checkout to nudge consumers towards sustainable practices (Allcott, 2011). And by addressing sustainable behaviour without imposing mandates or fines nudges make environmentally friendly choices more accessible.

3.3   EU ECOLABELS AS NUDGES

As mentioned, green consumers base their purchase decisions on a variety of information resources including certifications, reviews and eco-labels (Grimmer & Woolley, 2014). Eco-labels serve as important trust signals for green consumers, they provide third-party validation of a product's environmental attributes, helping to reassure consumers of their authenticity (Thøgersen, 2000). In this regard, eco-labels are used by consumers as a source of information in their purchase decision to select more sustainable products (Thøgersen et al., 2010). By steering the consumer's behaviour towards a desired outcome, in this case purchasing environmentally superiorly performing products, eco-labels can be conceptualised as nudges. In doing so it can foster the creation of both impactful and non-coercive policies, aligning with the principles of libertarian paternalism (Reisch & Sunstein, 2016). For the EU adopting nudges into policy implementation can be desirable because it leverages behavioural insights to promote socially beneficial behaviours. Benartzi et al., (2017) demonstrated that behavioural interventions can significantly enhance policy outcomes in areas like financial decision-making and energy conservation. And OECD, (2017) report that applying behavioural insights can lead to more cost-effective and efficient public policies. The EU is widely perceived as a legitimate and trustworthy authority, with mechanisms in place to ensure transparency and accountability (Delmas & Grant, 2014). It is, therefore, no surprise that Eco-labelling schemes that are endorsed

by the EU are even more effective indicators for consumers' purchase decisions. As such, these eco-labels aim to help consumers make decisions that are deemed more environmentally sustainable since products awarded an eco-label have been put through rigorous certification processes. This would qualify EU ecolabels as a form of nudging, with the EU as the choice architect. This conceptualisation opens up various lanes of analysis and critique.

As a nudge, these labels provide accessible and simplified information, allowing consumers to make informed decisions without overwhelming them with complex environmental data (Sunstein, 2015). Eco-labels also encourage businesses to improve their environmental practices to meet certification criteria, potentially driving innovation and promoting industry-wide improvements in sustainability standards (Rex & Baumann, 2007). By doing so, using nudges can help the European Commission reach its policy goals of promoting sustainable consumption increasing credibility and setting substantiation standards for labelling schemes (*Article 3)* (European Commission, 2023). The general objective of the GCD is to protect consumers from greenwashing and help them make more informed purchase decisions (European Commission, 2023). These ecolabels can combat greenwashing by restoring consumer trust in environmental marketing messages.

Regarding the determinants of trust described by Mayer et al., (1995), consumers trust the government's ability to oversee and manage credible environmental standards. The perceived trustworthiness of European ecolabels stems mainly from the regulatory knowledge and verification processes that instil confidence in consumers that strict environmental criteria will be met (Delmas & Grant, 2014). They are also a marker of benevolence, by fulfilling a commitment to public welfare which aligns with the ethical expectations of governments. Ecolabels connected to government institutions reflect a commitment to the public good by promoting sustainability and aiming to protect the environment (Hartlieb & Jones, 2009). Being associated with the state helps reassure consumers of the ethical virtue of the labels and the products they endorse. Government association also helps with matters of integrity. Although issues of bureaucracy, as discussed previously, exist governments have a known track record of delivering environmental and sustainability-promoting public services (Grimmelikhuijsen et al., 2013). They are expected to adopt labels equitably across products and avoid biases and favouritism for specific companies. Successful regulatory oversight can ensure a level playing field in ecolabel certification which will enhance the integrity of the labels themselves, and reduce greenwashing, and biased messaging that can arise in privately managed certification schemes (Grolleau et al, 2007).

3.4   CONSUMER ENGAGEMENT WITH ECOLABELS

As has been brought up several times, people are affected differently by nudges and engage with choices presented to them in various ways. This can introduce several issues of justice and equity, particularly regarding access and affordability. Research has shown that many consumers rely on heuristic processing when interpreting ecolabels, often using the ecolabel logo as a quick cue to infer a product's sustainability rather than delving into further information (Rex & Baumann, 2007). This heuristic reliance, according to Sunstein (2015), is typical in situations where decision complexity or information overload leads consumers to seek cognitive shortcuts. For instance, many consumers identify trusted labels, such as the EU Ecolabel, and interpret their presence as a sign of environmental friendliness without investigating substantiating claims (Grankvist et al., 2004). This approach allows for rapid decision-making but can lead to superficial understanding, as consumers often remain unaware of the specific sustainability criteria met by the product. The Green Claims Directive has responded to this issue by promoting standardisation, aiming to make ecolabels more accessible and consistent across the EU, which could make it easier for consumers to engage with ecolabel information (European Commission, 2023).

Another concern connected to this 'system 1' decision-making, is that ecolabels may inadvertently create inequality in consumer access to information, especially for consumers with lower environmental literacy. Studies indicate that while some consumers actively seek ecolabel information, others rely more on logos as simple sustainability indicators, potentially due to limited time or understanding (Van Amstel et al., 2008). Ecolabels that require consumers to interpret multiple environmental metrics, or that present information in a technical language, may discourage engagement, especially among general consumers with limited environmental literacy (Grankvist et al., 2004). This is in line with other classifications of green consumers where the most environmentally aware consumers are characterised by higher education and income levels (Leal Filho et al., 2009). Higher education levels are also positively associated with pro-environmental behaviour (Diamantopoulos et al., 2003). As the most

environmentally aware segment, these consumers are also more sceptical about environmental claims and try to engage more with accessible information. This reliance on ecolabel logos as heuristics disproportionately affects consumers with fewer resources or lower educational levels, who may not have the means or knowledge to interpret and scrutinise ecolabel standards.

Despite being included in the GCD with the policy goal to promote more informed purchase decisions, over-reliance on eco-labels could lead to a loss of consumer engagement with the nuances of sustainability (Delmas & Burbano, 2011). Additionally, eco-labels, while guiding consumer choices, may reinforce a sense of complacency, leading consumers to believe their purchase behaviour alone is sufficient to tackle environmental sustainability. This can detract from more impactful systemic changes needed to address climate change (Shove, 2010). Certain nudges, particularly those addressing lifestyle or health behaviours, can also risk diminishing dignity if they come across as paternalistic or judgmental. For example, nudges aimed at reducing smoking or unhealthy eating may implicitly stigmatise individuals who do not follow the nudged behaviour, potentially leading to feelings of shame or societal stigma (Stuber et al., 2008). When used in ecolabels, these techniques can subtly pressure consumers to conform to societal expectations of sustainability, potentially inducing feelings of guilt or social obligation (Reisch & Sunstein, 2016).

3.5   RISKS AND CHALLENGES OF ECO-NUDGING

While nudges can be an effective, easy, cheap and minimally invasive way to achieve policy goals, there are also inherent risks and challenges. Nudging theory has been met with great enthusiasm but also severe criticism with ethical debates ranging from topics such as personal autonomy, non-domination, liberty, respect and dignity (Schmidt & Engelen, 2020).

One of the primary objections against nudging, especially in the form of ecolabels, is its potential to infringe upon consumer autonomy. Autonomy, has been defined as the individuals capacity to reflect upon one's desires and motivations and to make choices aligned with one's authentic values and interests (Taylor, 2005). Nudges like ecolabels influence behaviour by subtly directing choices, often without the consumer's full awareness. In this way, nudging can be perceived as covert manipulation, as it relies on heuristic processing and cognitive shortcuts rather than rational decision-making (Rebonato, 2014). The lack of transparency in some ecolabel schemes exacerbates this issue with many consumers remaining unaware of the criteria and standards that underlie these labels, which means they may not be fully informed about what they are endorsing through their purchasing decisions (Delmas & Lessem, 2017).

The paternalistic element of nudges also poses some concerns. Nudges that are designed and implemented by governments or corporations can reflect a power imbalance, where the choice architect holds significant control over the options presented. This asymmetry can lead to scenarios where individuals are nudged towards decisions that benefit the architect rather than the individual, thus venturing into manipulative territory (Hansen & Jespersen, 2013). A common criticism of libertarian paternalism is that it can empower governments to guide individuals toward choices aligned with institutional policies. While at the same time offering officials potentially powerful tools to shape public behaviour without individuals fully realising the influence being exerted (Sunstein & Thaler, 2008). In the case of European-endorsed ecolabels, paternalism manifests in the choice architecture of products where the products with an ecolabel are presented as implicitly superior. Although the choice decision is not limited or restricted, these nudges impose a subtle form of influence that may inflict on individual autonomy by steering behaviour according to external values rather than personal preferences (Bovens, 2009). Nudges that serve societal goals, such as health or environmental benefits, may be seen as less problematic. However, if a nudge aims to prioritise the choice architect's goals over the individual's welfare, this is considered a morally questionable form of manipulation (Sunstein, 2015a).

Schmidt and Engelen, (2020) extend this argument by exploring issues relating to volitional autonomy, "*the idea that one's actions should reflect the preferences, desires, or ends that are truly one's own" (p.4).* The concern now is that, when nudged, we lose a sense of ownership over our choices since choice architects are imposing their desired ends with manipulative tactics (Hausman & Welch, 2010). Proponents, however, argue that nudging should help people improve the means to achieve their own goals instead of imposing ends designed by a choice architect

(Sunstein, 2015). These proponents even go so far as to claim that, when done successfully, nudging can improve rather than obstruct autonomy (Engelen & Nys, 2020). This, however, does not account for the fact that choice architects might not be able to identify people's desired ends and needs.

3.6   TRUST THE NUDGE

As nudges, ecolabels show great potential to further the policy goals of the Green Claims Directive. These labels provide a simplified, trustworthy signal for sustainable choices, steering consumer behaviour toward environmentally friendly products without restricting options. These ecolabels therefore align with the principles of libertarian paternalism discussed in the introduction, respecting consumer autonomy while subtly guiding consumers towards sustainability, a behaviour promoting collective good for society (Thaler & Sunstein, 2008). Nudging is both cost-effective and evidence-based, making it an attractive alternative to more restrictive regulatory approaches (Arno & Thomas, 2016). Furthermore, the EU's credibility and rigorous certification processes bolster the perceived reliability of these ecolabels, addressing a crucial trust gap between consumers and businesses and promoting fairer competition by holding companies to the same standards (Delmas & Grant, 2014; European Commission, 2023).

However, while nudges offer clear policy advantages, ethical concerns arise, particularly around autonomy and transparency. Ecolabels, as nudges, can subtly manipulate consumer behaviour by leveraging cognitive biases, raising concerns about the erosion of autonomy. Critics argue that by influencing choices without full consumer awareness of the underlying criteria, such nudges risk diminishing individual agency and informed decision-making (Hausman & Welch, 2010). Moreover, the paternalistic dimension of nudges introduces power asymmetries between policymakers and consumers, potentially prioritising institutional goals over personally desired ends (Hansen & Jespersen, 2013). Transparency becomes paramount here, as the lack of clear, accessible information on ecolabel standards may lead consumers to base choices on perceived virtue rather than an understanding of specific sustainability practices (Schmidt & Engelen, 2020). To address these concerns, transparency in the implementation of nudges is essential (Sunstein, 2015a). In the European context, the Green Claims Directive aims to address these transparency issues by mandating that environmental claims be substantiated and that ecolabels meet minimum credibility standards (European Commission, 2023). The EU is therefore challenged to design ecolabels with transparent and clear verifiable information to allow consumers to make informed decisions, which would respect their personal autonomy.

Ecolabels under the GCD, serve a dual purpose that presents an inherent contradiction. On the one hand, ecolabels act as nudges, leveraging cognitive shortcuts to encourage sustainable consumption. Nudging capitalises on "system 1" thinking, where consumers make quick, heuristic-based, less cognitively demanding decisions (Thaler & Sunstein, 2008). This approach advances the policy goals of the GCD by promoting sustainable consumption and simplifying green product choices. On the other hand, the GCD also aspires to educate and engage the public about sustainability, aiming to enhance environmental literacy and foster a deeper understanding of sustainability issues. This objective requires engaging consumers in "system 2" thinking, involving careful, deliberate processing of information to make informed choices (Kahneman, 2011). The previously mentioned recommendations to improve environmental literacy among consumers are, therefore, in conflict with the decision-making processes that nudging promotes. A proposed recommendation to reconcile this conflict, and potentially reap the benefits of both worlds is the adaptation of tiered ecolabels.

Several studies have explored the effectiveness of binary or multiple-layered label designs existing of an initial layer that highlights the most salient details to consumers, with an additional layer that includes a QR code which conveys in-depth information to more expert users (Chen et al., 2024; Emami-Naeini et al., 2021). This way, consumers who wish to make swift decisions based on a trusted ecolabel can do so, while those interested in learning more about the product's environmental attributes have easy access to comprehensive information. This digital layer could include detailed explanations of the criteria used in certification, environmental impacts, and comparisons to other products in the same category. A tiered labelling scheme aligns with the GCD's goals of facilitating more informed consumer decisions while supporting its educational aim to improve environmental literacy. Sunstein, (2014) would classify this type of nudge as *type 2* and *type 5* in that it simplifies consumer decisions through certified ecolabels, but also offers disclosure of information which operates as a check on corruption, negligence and incompetence.

By offering both immediate and in-depth information, the GCD can better support sustainable consumer behaviour and knowledge, enhancing trust in government-endorsed ecolabels and building environmental literacy over time.

4. JUSTICE

The previous chapters focussed on the effectiveness of the GCD in achieving its policy objectives through different determinants of trust and mechanisms such as nudging. The present chapter aims to add a normative layer by analysing whether these outcomes are fair and distributed equally and equitably. This chapter will focus on answering the sub-question: what is the effect of the GCD on global justice? Given that the justice outcomes of policy implementation depend on the justice lens that is adopted when designing these policies, I shall first analyse the EU's current approaches to global justice. To this effect the GLOBUS research project will be introduced to analyse the EUs historical political approach to justice. This procedural approach to justice alone might not be sufficient to address inequalities in the context of the GCD. I will, therefore, argue that these procedural accounts of justice have to be supplemented with distributive justice approaches to analyse and address potential justice issues adequately. A combination of procedural and distributive justice approaches will therefore be considered in synthesising recommendations for the successful implementation of the GCD. These recommendations hope to inform further discussion of incorporating distributive justice principles into policy making.

4.1   THE EU'S APPROACH TO GLOBAL JUSTICE

Before we look closer at the potential effects of the GCD on global justice, we first examine how the European Union has dealt with justice issues in the past. To this effect, I shall introduce a two-part research project (GLOBUS) that investigates exactly this and critically examines the EU's contributions to global justice. In this project, the first contribution by Eriksen, (2016) introduces three conceptions of global political justice as *non-domination, impartiality* and *Mutual recognition*. The second contribution by Sjursen, (2017) uses these three conceptions to assess how they can influence the EU's role in promoting justice on a global scale, by analysing EU foreign policies. I will analyse these approaches and reflect on their appropriateness in the context of the GCD.

The first notion of the GLOBUS project is that their approach to justice is political and distinctly not distributive. They believe that global justice requires reforming and restructuring international institutions and ensuring fairness in the broader contexts in which decisions are made (Eriksen, 2016). Eriksen asserts domination as the essence of injustice with indicators such as inequality, vulnerability and humiliation. Domination is defined as "subjection and rule without justification" (p. 4). In the political sense, it represents structural barriers to the autonomy of individuals and their capability to influence their future.

4.1.1   Justice as Non-Domination

The first conception of justice as non-domination is deeply rooted in Pettit, (1997)'s republican theory of freedom, which posits that true freedom is not merely the absence of interference but the absence of arbitrary power over individuals or groups. Pettit argues that domination occurs when an agent is subject to the arbitrary will of another, where decisions are made without regard for the interests or input of those affected (Pettit, 1997). In this context, non-domination becomes a central principle of justice, requiring institutional safeguards to prevent any actor, such as the state, corporations, or international entities like the European Union from exerting unchecked power over others. The individual should be free from the arbitrary interference of others. Interference then means deliberately making others worse off in relation to the options that are available to them or diminishing the potential benefits resulting from these options (Eriksen, 2016). In Eriksen's framework, the EU's role in global governance is critically assessed through this lens, where the focus lies on mitigating coercive power structures that might otherwise impose unequal relationships on weaker states or communities. This approach supports the idea that political legitimacy relies on the absence of domination, which demands transparency, accountability, and inclusivity in decision-making processes at the global level (Lovett, 2010). While justice as non-domination provides a valuable perspective on ensuring freedom and fairness in international relations, it also faces several challenges. Sjursen, (2017) suggests that that this conception of justice might not be suitable for tackling the multifaceted problems that are introduced by an increasingly globalised world.

The first challenge relates to the diversity of cultural, political, and legal systems worldwide. What may be considered arbitrary interference in one context may be seen as legitimate governance in another. For example, the Indian Unlawful Activities Prevention Act (UAPA), due to its wide definition of 'unlawful' has been critiqued by human rights organisations for "*being repeatedly and deliberately weaponised to intimidate, harass and restrict the ability of civil society groups from operating, in clear violation of their rights to freedom of expression and associations*",(Amnesty International, 2020). While the Indian government argued these measures were essential for protecting the state from internal and external terrorist threats which makes them a legitimate exercise of power (Chandra, 2020).

Examples like this raise questions about whose standards of justice should be applied. This problem of different interpretations of justice makes it difficult to establish universally accepted criteria for non-domination without imposing a form of hegemonic domination by powerful states or regions (Laborde, 2010). Another issue results from the framing of non-domination approaches. They focus on protecting negative liberty, the freedom from interference, rather than promoting positive liberty which supports the individual's ability to pursue their goals and well-being (Lovett, 2010). And because of this framing, non-interference conceptualisations of justice might not address global inequality and poverty adequately. Non-domination theories might prevent manipulation by powerful states and corporations but it does not necessarily guarantee that individuals have sufficient access to the resources and opportunities they need to flourish (Fraser, 2009).

A non-domination framework can also reinforce the status quo by emphasising the prevention of interference instead of addressing underlying structural inequalities that cause domination in the first place. In global justice, this could mean that efforts to avoid direct domination fail to confront deeper, systemic forms of injustice, such as global economic inequality or historical exploitation (Young, 2011). Fraser, (2014) adds that while non-domination is an important principle, it must be accompanied by active redistributing of resources and power to achieve meaningful justice. Non-domination approaches emphasise the importance of creating safeguards against arbitrary interference, but solutions for establishing effective global institutions that govern this are still lacking. Pettit, (1997) advocates for institutional checks and balances to prevent domination, but at the global level, there is no equivalent of a centralised, enforceable authority like a nation-state. As a result, efforts to promote non-domination in the international context are hindered by weak enforcement mechanisms and reliance on voluntary cooperation between states, which can lead to inconsistencies in the application of justice (Lovett, 2010).

The concept of justice as non-domination aims to improve the functioning of the international system without fundamentally challenging its structure. It focuses on preventing domination within the system of states, promoting just outcomes and fairness. This approach is realistic in that it acknowledges the present domination imbalances in the world and between nation-states division of the world into separate nation-states. However, some limitations become apparent specifically when considering global issues that require collective action beyond the nation-state, such as migration, global trade, climate change, and poverty. These transnational problems expose the limited capacity of justice as non-domination to address domination on a global scale, as there is no enforceable legal duty of justice across borders. To ensure that all states fulfil their responsibilities, there might be a need to establish more robust institutions (Sjursen, 2017). However, another framework of justice is introduced by Eriksen, (2016) to overcome some of these challenges by highlighting the need for stronger institutional provisions.

4.1.2 Justice as Impartiality

Erikson's conception of justice as impartiality is grounded in Kantian ethics, particularly the idea that justice must be derived from universal moral laws that respect all individuals as valuable in their own right. Kant's notion of impartiality is central to his concept of the 'categorical imperative', requiring that actions be guided by principles that could be accepted universally, without privileging any individual's or group's interests (Kant, 2017). In this sense, impartiality requires that institutions and laws must be neutral, ensuring that all individuals are treated equally and unconditionally under a universal rule of law. Similarly to justice as non-domination, justice as impartiality considers being subject to arbitrary will as the essence of domination and the key opposite of freedom (Eriksen, 2016). By employing this Kantian framework, Eriksen emphasises the importance of creating institutional frameworks in the European Union that are fair, non-partisan, and capable of safeguarding the rights of all states and individuals in international relations. Advocating for law-based order internationally deals with some challenges that arose in justice as non-domination, which leaves limited space for global enforcement of justice. By promoting

universalisability and the equal moral worth of each actor, this view of justice aligns with the Kantian ideal of establishing global governance structures based on fairness and reason, devoid of personal or national biases (O'Neill, 1989). However, this framework suffers from different challenges to overcome. A key issue in this framework, however, is determining who the arbiter that ensures impartiality would be (Sjursen, 2017)

One challenge mentioned in justice as non-domination remains problematic for justice as impartiality frameworks. That is the problem of cultural and normative pluralism and diversity of values. This again refers to the diversity of interpretations that different actors can attribute to justice claims. Impartiality presupposes that justice norms can be applied uniformly, but in practice, what is considered "just" or "fair" can vary significantly across cultures and legal systems (Eriksen, 2016). This raises the question of whose norms should form the basis of global justice. The imposition of Western liberal values in global governance frameworks, for instance, risks marginalising other cultural perspectives, which can be perceived as a form of domination or moral imperialism (Benhabib, 2002).

The principle of impartiality is based on the ideal of neutrality, where decisions are made without bias. However, in the context of global justice, achieving genuine neutrality can be difficult. Global institutions and actors, such as the World Trade Organisation or the International Monetary Fund, are often influenced by powerful states that shape global rules to serve their interests (Eriksen, 2016). Such power asymmetries undermine the neutrality required for justice as impartiality, as more powerful actors can influence international norms and decisions to their advantage (Pettit, 1997). To ensure that this impartiality is enforced, global justice efforts must rely on the existence of capable institutions. However, many international institutions lack the authority or resources to enforce these rules consistently, particularly when powerful states refuse to comply. While justice as impartiality includes laws to ensure the duty of justice across borders, there are no overarching mechanisms to ensure that impartiality is upheld globally (Goldsmith & Posner, 2005). Moreover, the absence of strong enforcement mechanisms can lead to selective justice, where only weaker states are held accountable, further eroding the principle of impartiality (Eriksen, 2016).

Also similar to non-domination is the need for more attention to the inherent differences between nations and actors. Justice as impartiality assumes that treating all actors equally before the law will lead to fair outcomes. However, this approach may overlook structural inequalities and contextual needs of specific states and other actors in the global system. Without addressing the underlying socio-economic disparities, applying uniform rules can perpetuate inequality rather than alleviate it. For example, treating developed and developing nations as equals in trade negotiations, without acknowledging the vastly different economic capacities, can result in unequal outcomes that disproportionately benefit wealthier nations (Fraser, 2009). Focusing solely on formal equality, without considering differences in capabilities and resources, may hinder the achievement of substantive justice (Sen, 2014). Impartiality, as a stand-alone framework, may fail to account for these contextual differences, making it less suitable for addressing the nuanced realities of global justice (Eriksen, 2016). The final theory of justice that Eriksen introduces aims to overcome this by prioritising deliberation, belonging, and respect for diversity.

4.1.3 Justice as Mutual Recognition

Eriksen's conception of justice as mutual recognition incorporates elements of Hegelian philosophy and the critical theory of the Frankfurt School, which emphasise the importance of recognition in achieving justice and freedom. Drawing from Hegel's work 'Phenomenology of Spirit', the idea of mutual recognition involves a relational process where individuals or states acknowledge each other's autonomy and moral worth, which enables freedom and self-realisation (Hegel, 1977). In Eriksen's framework, justice as mutual recognition extends this concept to the global sphere, arguing that just relations between states or global actors require mutual respect for their rights, identities, and interests. This approach aligns with the critical theory of Axel Honneth, who argues that recognition is fundamental to social justice, as misrecognition leads to social exclusion and domination (Honneth, 1996). Eriksen's application of mutual recognition to EU external relations emphasises the need for inclusive dialogue and respect for diversity, fostering justice by integrating all parties into the decision-making process. Just like the other introduced approaches, justice as mutual recognition also faces its respectable set of challenges.

Although the mutual recognition framework is more inclusive and respects the voices of marginalised and less powerful actors in the global sphere, there are ethical considerations relating to cultural relativism. When all cultural practices are accepted as equally valid, questions arise about addressing practices that might interfere with human rights and broader principles of justice (Parekh, 2001). Mutual recognition frameworks of justice sometimes fail to

establish boundaries that protect individual rights, especially when cultural practices conflict with universal human rights norms (Benhabib, 2002).

Similar to the previous justice frameworks, this theory too has challenges of power imbalances and conflicting normative values. Even within frameworks that promote dialogue and mutual respect, powerful states or actors may dominate conversations and impose their interests, limiting genuine mutual recognition (Eriksen, 2016). Existing structural inequalities can lead to marginalised groups being formally included but not genuinely heard or respected, resulting in superficial recognition rather than meaningful inclusion (Young, 2011). Fraser (2009) argues that approaches based solely on recognition often fail to tackle the economic and material injustices that underpin global inequalities, potentially reinforcing, rather than rectifying, these disparities.

Mutual recognition assumes a willingness to respect and integrate diverse perspectives, yet fundamental conflicts of values or cultural incompatibilities can hinder this process. Deeply rooted differences in values or worldviews may lead to situations where recognition of one group's identity conflicts with the values of another, complicating attempts to achieve justice (Fraser, 2000). Along similar lines, reciprocity on a global scale can be equally difficult to achieve. Honneth's theory suggests that recognition is inherently reciprocal, but in practice, power dynamics and inequalities can prevent true reciprocity in international relations (Honneth, 1996). This challenge is especially evident in global institutions where some voices may be more influential than others, leading to ceremonial recognition without substantive engagement or equality.

4.2   THE NEED FOR DISTRIBUTIVE JUSTICE IN THE GCD

The GLOBUS project has made the conscious decision to conceptualise justice as political and procedural. They deliberately omitted distributive justice as they claim that a just political structure is required to distribute goods fairly (Eriksen, 2016) And while procedural justice is instrumental in ensuring fair processes and addressing power dynamics, distributive justice principles contribute by focusing on the outcomes of these processes, ensuring that resources, opportunities, and rights are equitably allocated within society. In doing so, distributive justice approaches help address rooted inequalities that procedural justice approaches alone might not be able to rectify (Sen, 2009). Additionally, distributive justice frameworks add moral responsibility for resource relocation by determining who has a right to what. Through the difference principle, for instance, the needs of those worst off in society are prioritised in moral assessments. Similarly, sufficientarian approaches focus on individuals having enough to live a dignified life, which are also considerations not covered under procedural justice approaches. Accounts such as the capability approach highlight that individuals have different abilities and needs, which means that equal treatment in the process may not lead to equitable outcomes (Nussbaum, 2000). With this emphasis on capabilities, distributive outcomes account for differences in personal circumstances. Another important example is the argument of Beitz, (1999) who recognised that procedural fairness across states does not necessarily lead to just distributions amongst individuals of those states. This underscores the importance of not just checking that the recipe for justice is well-written, but also whether it produces something equitable and fair when served.

The GCD seeks to address misleading marketing claims by establishing standards for environmental labelling and certification, thus protecting consumers from greenwashing and ensuring businesses meet defined sustainability criteria. Although procedural justice approaches can ensure fair processes in certifying these labelling schemes, distributive justice approaches add a crucial dimension by focusing on equitable outcomes that enable consumers and businesses to benefit from these procedures in a meaningful way. Integrating distributive justice principles into the framework of the GCD is essential for addressing both the immediate and long-term equity concerns inherent to climate policy. By focusing on outcomes that reflect fairness in resource allocation and individual capabilities, policymakers can address deeper systemic inequalities that procedural justice alone cannot fully remedy. While procedural justice ensures that the processes are impartial and free from domination, distributive justice frameworks contribute by focusing on the fairness of outcomes. This ensures that the principles of fairness and equity are embedded not just in the processes, but in the lived experiences of individuals, thereby achieving a more comprehensive form of justice.

4.2.1 The Case for Distributive Justice

Distributive justice frameworks often seek to ensure equal treatment of individuals, recognising that disparities in wealth and opportunities can hinder social cohesion and individual well-being (Sandel, 2009). Other pillars of justice such as equity are best described in John Rawls's *'A Theory of Justice'*. In this foundational work, Rawls defines justice as *"justice as fairness"*, which encompasses two core principles he argues are the ones we would universally agree to if we were to negotiate the terms of societal governance under conditions of fairness (Blake & Smith, 2024). These conditions, also known as the "original position," are designed to ensure that no party has an advantage, promoting equal consideration of everyone's interests in shaping the basic structure of society. The first principle states that each person has an equal right to the most extensive basic liberties compatible with similar liberties for others. The second is two-fold stating that social economic inequalities are to be arranged in such a way that they are attached to positions and offices open to all; and that they are to advantage those least-advantaged members of society which Rawls calls '*the difference principle'* (Rawls, 2017). Others argue that justice involves distributing resources based on what individuals deserve whether from effort, talent, or societal contribution. Meritocratic systems, for example, advocate for rewards per individual achievement (Miller, 2001). Finally, some have argued that resource distribution should be based on individual needs rather than efforts or merit (Sen, 1999). Martha Nussbaum's capabilities approach is a prevalent example of this and focuses on the idea that justice is achieved when individuals have the capabilities necessary to lead a dignified life (Nussbaum, 2000).

Risse, (2012) explores the role of distributive justice frameworks in shaping global governance. He points out that distributive justice frameworks can be understood practically by addressing global inequalities through enforceable policies. He highlights that through institutions such as the United Nations and the European Union distribution of resources can be facilitated more fairly across states. This makes distributive justice appealing for states committed to binding agreements, as it translates justice into actionable policies through global institutions. On the other hand, in aiming for neutrality, justice as impartiality, provides a universally applicable standard and thus appeals to a wide array of international actors, focusing on fairness without imposing redistributive measures (Eriksen, 2016). The issue with this, and mutual recognition approaches is challenges in enforceability due to their reliance on voluntary cooperation and moral appeal, which needs more binding forces to uphold justice in power-imbalanced relationships (Young, 2011).

Impartiality approaches to justice have been critiqued by several different authors. Young, (2020) argues impartiality approaches disregard people's unique socio-economic positions which could reinforce the status quo by failing to address systemic disadvantages. Beitz, (1999) makes a similar point but extrapolated to the global sphere. He argues that frameworks adhering strictly to impartiality often fail to address deep-seated global inequalities because they assume states to be equal when in reality they vary greatly in capacity and starting position. Distributive justice directly addresses substantive inequalities by focusing on equitable resource redistribution, it risks oversimplification by potentially overlooking other dimensions of justice, such as social inclusion and political empowerment (Fraser, 2009). While such approaches ensure that resources are distributed more fairly, they do not automatically guarantee broader social justice outcomes if considered in isolation. Distributive justice alone do not inherently address the relational aspects of power dynamics, cultural recognition, and political voice that are essential for comprehensive social justice (Young, 2011). Mutual recognition frameworks go beyond material redistribution, offering a socially inclusive model of justice that respects diverse identities, though they may struggle to address entrenched economic inequalities without additional distributive mechanisms (Taylor, 1994).

However, while recognition frameworks successfully challenge cultural and social hierarchies, they may struggle to address entrenched economic inequalities without being supplemented by redistributive measures. As Fraser, (2009) argues, recognition without redistribution risks reinforcing class disparities under the guise of cultural progress. Therefore, while distributive justice adds value by focusing on the equity of outcomes, this can be complemented by insights from recognition and non-domination perspectives. Recognition frameworks contribute by addressing the social and cultural dimensions of justice, while non-domination ensures that power structures are reshaped to prevent coercion and maintain fairness (Pettit, 1997).

As forms of political and procedural justice, the three introduced frameworks of justice by Eriksen, (2016) and Sjursen, (2017) promote fairness in global procedures. This does, however not necessarily lead to equitable outcomes. While fair procedures are essential, the ultimate goal of the Green Claims Directive is to achieve fair

distributional outcomes, which procedural justice alone cannot guarantee. This is why both a procedural and distributive justice approach are vital in addressing the issues related to the successful implementation of the GCD.

4.3   APPLYING JUSTICE FRAMEWORKS TO THE GCD

The relevance and necessity of employing both procedural justice and distributive justice has been established in the previous sections. This section will now apply both of these frameworks to potential issues that might emerge from implementing the GCD in Europe. Specific distributive justice conceptualisations such as egalitarian, sufficientarian, utilitarian and capability approach framework implications for the GCD will be introduced and explained as they come up in the designated discussions. A complete classification of the different justice theories that I employ can be found in *Appendix A,* which has been omitted from this chapter for readability purposes. This classification is determined by applying Page, (2006)'s *scope, shape* and *currency* of justice which answers questions about *who* benefits, *how* resources and benefits are distributed, and *what* should be distributed. References to the specific justice theories in the following analysis shall, therefore, be in accordance with this classification. By referencing to specific Articles of the GCD I will concretely link specific justice approaches to potential issues for the successful implementation of the Directive. I will provide recommendations for overcoming these challenges and will argue for the integration of both procedural and distributive justice principles in future policy design.

4.3.1   Addressing Market Inequalities

Larger corporations often have more resources to invest in green marketing and can afford to manipulate consumer perceptions through greenwashing. The Green Claims Directive aims to address this by creating a level playing field and ensuring credibility and transparency in labelling scheme certifications (European Commission, 2023). By promoting fair competition the GCD could reduce market inequalities and ensure that all businesses, regardless of size, can compete on equal terms (Bonini & Swartz, 2014). This aim is affirmed in *Article 5* and *Article 6* which require businesses to substantiate claims through verification by independent third parties. While this enhances credibility, the costs associated with third-party verifications may reinforce market dominance by larger companies able to afford these costs (Grolleau et al., 2007). In part, the GCD accounts for this in *Article 12* which guides member states to support small and medium enterprises (SMEs) in offering financial assistance, training and help with bureaucratic organisation (European Commission, 2023). The support is, however, not uniformly mandated and is subject to applicable state aid regulations. So despite intended support, SMEs may still face disproportionate costs to meet verification standards, particularly in countries with limited state aid budgets.

One of the main causes for these issues is the EUs shift from impartial top-down to non-domination and mutual recognition-focused bottom-up approaches to justice, as documented by Von Lucke, (2021). Instead of administrating legislation top-down, the EU lets member states incorporate legislation into national law themselves. This significantly limits the legal compliance powers of the EU and consequently allows for unequal application of legislation amongst member states. This approach is also cemented in the GCD with *Articles 11* and *Article 13* leaving it up to the respective member states to appoint competent authorities for verification and coordination mechanisms. *Article 17* adds to this that member states are also entitled to lay down their own rules on penalties for infringement on the Directive. This in turn can result in countries not adhering to the same certification criteria or countries having different support systems for SMEs, which will in turn increase inequalities between countries and actors.

Sufficientarianism, as a distributive approach, poses that pure equality as a moral goal is misguided. Instead, sufficient resources for each individual to live a decent life should be the end aim (Frankfurt, 2018). Some specific sufficientarian views distinguish between a *positive* and *negative* thesis where the positive thesis stresses the importance that every person has enough, while the negative thesis poses that inequalities above a certain 'sufficiency threshold' are less morally problematic (Casal, 2007). Other authors have indicated that individuals below the 'sufficiency threshold' should be prioritised in redistribution efforts (Huseby, 2010). When these ideas are applied to the GCD, one could advocate for amending *Article 12* to ensure a baseline sufficiency level for all enterprises to navigate certification requirements. One issue with the negative thesis of sufficientarianism is that determining the sufficiency threshold can be considered arbitrary across different contexts and societies (Casal, 2007). This is why establishing standardised and context-sensitive guidelines for eligibility for financial support

could help in ensuring sufficient resources for those less advantaged. To this effect, the GCD has already excluded microenterprises for some provisions (European Commission, 2023).

4.3.1.1 Regional Disparities in Enforcement

The delegation of verification responsibilities and powers of competent authorities to individual member states, as outlined in *Articles 13 and 14*, raises significant issues of distributive and procedural justice. Following the justice as impartiality discussion of Eriksen, (2016) the correct 'arbiter of justice' is critical in establishing fair, unbiased justice outcomes. Von Lucke, (2021) already highlighted the change in justice from a top-down to a bottom-up approach. This decentralised approach can result in appointed authorities not adhering to the same criteria for certification schemes, which can increase inequalities between countries. Decentralisation of verifiers can also mean that some arbiters may lack independence or be influenced by national regulations or market pressures, which can compromise impartiality in certification outcomes. All different conceptions of distributive justice agree on the problem of not having a universal authority. The lack of a centralised arbiter increases the risk of inequalities between countries with varying levels of rigour in certification schemes, which may result in a higher risk of greenwashing.

To combat the inequality between nations, the EU should establish a centralised body that governs and oversees ecolabel standards and coordinates enforcement. This would ensure that certification practices are consistent, fair and equally accessible to all member states. This approach could be complemented with transnational audits and assessments to ensure these standards are upheld. Procedurally, policy implementation should be applied consistently to avoid inequalities that could disadvantage certain regions (Bovens, 2007). When procedural justice is compromised it risks creating mistrust in the effectiveness of policy measures as unified regulatory tools (Young, 2020). With this adaptation in policy implementation approach, the GCD could mitigate the unequal regulatory capacity of its member states that would otherwise result in disparities that disproportionately favour countries with stronger regulatory infrastructures. Complementary to this adaptation, the GCD could consider support programmes

that help SMEs globally meet the GCD requirements. This could include financial aid, technical support or capacity-building initiatives. With this support, the GCD could ensure that ecolabel certification stays accessible, while at the same time increasing market diversity and a level competitive market. Although absolute equality in terms of access, resources and opportunities in ecolabel certification is desirable, it is not always practically and realistically feasible (Herlitz, 2018). This is why it might be more pragmatic to adopt sufficientarian principles in the GCD that ensure that member states and national stakeholders have enough capabilities to engage with other actors in the competitive landscape. This dimension of feasibility will be expanded on more elaborately in the conclusion.

4.3.2 Empowering Consumers

The Directive seeks to empower consumers to make informed, sustainable choices by ensuring that environmental claims are reliable, verifiable, and comparable (European Commission, 2023). This addresses injustices that arise from misleading greenwashing practices and encourages transparency. The GCD's requirement for clear and verifiable green claims empowers consumers by reducing information asymmetry. Consumers are better equipped to make informed decisions that align with their values and preferences when they have access to accurate information. This empowerment aligns with the principles of distributive justice, ensuring that all individuals have the opportunity to participate meaningfully in the market (Peattie, 2010).

There are other conflicting policy goals that can emerge. The GCD tries to address broader environmental justice by fostering sustainable consumption and production patterns (European Commission, 2023). *Article 3*, for example, includes lifecycle considerations in substantiating environmental claims, which promotes practices beneficial to the wider ecosystem and, by extension, to society at large (Hellweg & Canals, 2014). These complex life-cycle analyses, however, may lead to labels that are challenging for average consumers to interpret. Ecolabels that require consumers to interpret multiple environmental metrics, or that present information in a technical language, may discourage engagement, especially among general consumers with limited environmental literacy (Grankvist et al., 2004). So although ecolabels try to increase transparency and help consumers make more

informed purchasing decisions, it could unintentionally lead to confusion, particularly for consumers with limited environmental literacy. The capability approach aligns with this by focusing on providing individuals with the freedoms and resources they need to make meaningful choices (Nussbaum, 2000; Sen, 2014). If information is not accessible or understandable, it limits consumers' real freedom to make informed choices. That is why this framework could push for clearer, more accessible information, possibly through simplified labels or additional consumer education initiatives, to ensure equitable access to sustainable options. Utilitarians, specifically following Mill, (2016)'s conceptualisation of higher and lower pleasures could argue that engaging meaningfully with one's surroundings is considered an intellectual pleasure. As such, it would be prioritised in ethical decision-making and trying to maximise utility by improving literacy across diverse populations. Sufficientarians could emphasise the importance of increasing the environmental literacy of the least literate consumers, this way ensuring that the largest group of consumers has a minimum level of information access to make environmentally sound purchasing choices.

Apart from access to information, some consumers might also struggle with the monetary means to afford more sustainable products. In Chapter 1 the presence of the 'green premium' has already been discussed which reflects the additional costs associated with environmentally friendly products (Drozdenko et al., 2011). Through Nussbaum, (2000) capability approach view, access to sustainable products can be considered a fundamental capability, enabling individuals to participate meaningfully in sustainable consumption. It relates to the capabilities of bodily health, in access to adequate nourishment and to practical reason in being able to inform and critically assess one's life's choices and consumption decisions. If higher prices exclude vulnerable populations, the GCD would fall short of providing equitable opportunities for environmentally responsible choices. Sufficientarians as Casal, (2007) would also view this as a positive thesis issue as it prioritises ensuring a baseline standard for all, including access to sustainable products. Although it could be argued whether access to sustainable products would classify as being below the basic sufficiency threshold, and counts as essential for living a fulfilling life. This framework would call for mechanisms that ensure affordability or support for lower-income consumers, perhaps through subsidies or incentives that make verified green products accessible to all.

4.3.3 Global Responsibility and Environmental Justice

The implementation of the GCD also has far-reaching consequences for other international players who want to trade with EU member states. Although the requirements are directed at the EU market, external parties who want to trade with the EU would also be subject to these standards. The GCD stipulates outside labelling schemes need to request approval from the Commission. This approval hinges on the contribution of this external label to further the goals of the GCD and should cover the requirements that are proposed (European Commission, 2023). So although international trade is possible, several of the justice issues raised for the internal European market also apply to global trade.

SMEs or businesses from lower-income nations, especially those operating in less developed markets, may find it difficult to keep up with these GCD requirements and certification costs. Consequently, the GCD could be perceived as a trade barrier, limiting access to the EU market for non-compliant countries and impacting global equity in trade (Scherer & Palazzo, 2011). This could lead to their exclusion from a market increasingly dominated by eco-certified products (Harbaugh, et al., 2011). Lack of inclusivity, or lack of international brands could damage consumer trust if consumers only perceive large well established brands represented by the EU ecolabels. It could lead to scepticism about the fairness and accessibility of the system and in the long could lead to reduced confidence in the certification process and suspicion that the ecolabel primarily benefits larger corporations, rather than genuinely promoting sustainability across the marketplace. But unlike countries within the EU who, following *Article 12*, should receive support, SME's outside the EU might not be so fortunate in their request to receive equal funding and aid. This poses issues with egalitarian principles that promote equal access to all actors in the market and whose solutions to include subsidies or discounts for SMEs might be hard to enforce globally.

Article 5 on substantiation of environmental claims might also pose an issue for countries outside of the EU. Less developed countries with limited resources might struggle with the technical requirements necessary for conducting the verification processes. Capability approaches would be concerned with whether the GCD's stringent requirements hinder the economic and social capabilities of producers in non-EU countries, especially if they depend on EU markets. By limiting access to this market, the GCD could undermine these individuals' ability to

achieve well-being. Capacity-building support to these producers might enable them to meet the requirements of the GCD without sacrificing their economic opportunities, although this is again, harder to achieve outside the EU. Countries outside the EU also tend to have less stringent anti-corruption measures which negatively affects international trade patterns (Thede & Gustafson, 2012). This can make appointing impartial verifiers a challenge. Strong corporate lobbying could then influence labelling certifications which further exacerbates the inequalities between large and small businesses.

By promoting genuine sustainability practices and reducing greenwashing, the Green Claims Directive can contribute to global environmental protection. Distributive justice emphasises the fair distribution of both the benefits of environmental protection and the burdens of environmental harm. Ensuring that the directive contributes to global environmental justice aligns with the principles of distributive justice, as it seeks to protect those who are most affected by environmental degradation (Gardiner, 2011). This is however easier said than done, apart from the issues of accessibility mentioned previously there are some considerations. The GCD applies within the EU, but many products sold in the EU are produced globally, often in regions with weaker environmental protections. By focusing on end-market claims rather than global production practices, the GCD may inadvertently permit environmentally harmful practices elsewhere. Kastner et al., (2014) analyse the environmental impact of the EU's consumption pattern and highlight how imported goods contribute to land-use changes and environmental degradation in exporting countries. This only confirms that environmental degradation disproportionately affects the poorest and most vulnerable communities worldwide (Barbier & Hochard, 2018).

This would pose a problem for egalitarians. They are concerned with the equal distribution of basic rights and resources within a just society (Rawls, 2017). Beitz, (1999) aimed to extend these egalitarian principles to the global domain by applying Rawls' 'difference principle' to societies internationally, and not just the nation-state. In doing so societies globally can also be subjected to moral assessment and intervention. Others have therefore argued that all individuals, regardless of when or where they exist, should have equal standing in the distribution of climate benefits and burdens (Page, 2006). Egalitarians would try to address this issue by offering compensatory funds or support for environmental restoration in the affected countries. The EU could impose stricter standards which might incentivise supply chain improvements.

To combat the inequality between nations, the EU could also establish a centralised body that governs and oversees ecolabel standards and coordinates enforcement. This would ensure that certification practices are consistent, fair and equally accessible to all member states. This approach could be complemented with transnational audits and assessments to ensure these standards are upheld. Procedurally, policy implementation should be applied consistently to avoid inequalities that could disadvantage certain regions (Bovens, 2007). When procedural justice is compromised it risks creating mistrust in the effectiveness of policy measures as unified regulatory tools (Young, 2011). With this adaptation in policy implementation approach, the GCD could mitigate the unequal regulatory capacity of its member states that would otherwise result in disparities that disproportionately favour countries with stronger regulatory infrastructures. Complementary to this adaptation, the GCD could consider support programmes that help SMEs globally meet the GCD requirements. This could include financial aid, technical support or capacity-building initiatives. With this support, the GCD could ensure that ecolabel certification stays accessible, while at the same time increasing market diversity and a level competitive market. Although absolute equality in terms of access, resources and opportunities in ecolabel certification is desirable, it is only sometimes practically and realistically feasible (Herlitz, 2018). This is why it might be more pragmatic to adopt sufficientarian principles in the GCD that ensure that member states and national stakeholders have enough capabilities to engage with other actors in the competitive landscape.

4.3.4   Justice Implication of Nudges

Recalling the previous discussion on nudging, nudges try to manipulate consumers into making decisions considered desirable by a choice architect by playing into cognitive bypasses (Hausman & Welch, 2010). This opens up many different discussions related to justice, and in many cases further exacerbates the justice issues brought up in previous chapters. For one influencing consumer behaviour subconsciously raises questions of autonomy (Bovens, 2009). Also recalling our definition of autonomy as the individual's capacity to reflect upon one's desires and motivations and to make choices aligned with one's authentic values and interests (Taylor, 2005). Nudge-based ecolabels can potentially limit the ability of consumers to make fully informed, independent choices

about sustainability, which was one of the core policy goals of the GCD. An over-reliance on nudges could also lead to a loss of consumer engagement with the nuances of sustainability (Delmas & Burbano, 2011). And while some consumers actively seek ecolabel information, others rely more on logos as simple sustainability indicators, due to limited time or understanding (Van Amstel et al., 2008). Additionally, eco-labels, while guiding consumer choices, may reinforce a sense of complacency, leading consumers to believe their purchase behaviour alone is sufficient to tackle environmental sustainability. This can detract from more impactful systemic changes needed to address climate change (Shove, 2010). This imbalance in susceptibility to manipulation would pose a problem to egalitarians who would value equal access to information resources. They would try to mitigate this imbalance with educational programs which would increase consumer knowledge to critically assess ecolabels. Sufficientarians would have similar concerns with ecolabels that drive up costs or steer low-income consumers towards products that might not align with their immediate priorities. Utilitarians could support the use of nudges as long as they advance the policy goals of the GCD and lead to widespread environmental benefits. Not being able to critically engage with sustainability practices also causes problems for capability approach frameworks, which could be viewed as limiting to agency and autonomy.

The GCD *Articles 13 and 14* establish third-party verification for ecolabel claims placing significant authority in the hands of verifiers (described in *Article 11)*, who act as choice architects. These entities determine the standards and criteria that ecolabels must meet, effectively shaping the consumer marketplace by deciding which products are promoted as "environmentally friendly." This centralised role introduces a power imbalance, as consumers' choices are directed by an authority that may not always act in their best interest. Carpenter and Moss, (2013) provide various examples for industries that have used lobbyists to influence policy frameworks to affect their products favourably. Examples include pharmaceutical companies that influence drug approval trials, financial firms that try and weaken oversight measures and fossil fuel industries that reduce restrictions on emissions. Given that the lack of biased arbiters is not uncommon, this can infringe on several distributive justice principles. These choice architects could limit consumer options, and reduce trust in ecolabels.

From a capabilities standpoint, nudges may potentially reduce consumers' ability to critically evaluate the environmental claims they encounter (Hausman & Welch, 2010). This is why nudges must be handled carefully to avoid perceived manipulation, which can erode trust rather than build it. If consumers feel that their choices are unduly influenced or that the ecolabels lack transparency, it could lead to mistrust, especially if the criteria or standards behind the ecolabels are unclear (Hausman & Welch, 2010). To prevent this, the GCD must maintain transparency around certification criteria and ensure that ecolabels are grounded in rigorous, evidence-based standards that are communicated clearly to the public. Recommendations such as the tiered ecolabels and adopting collaborative approaches to engage the public are also viable options to promote consumer empowerment. Additionally, the GCD could implement public education campaigns alongside certification practices. These campaigns should be made widely accessible through multiple channels such as social media, in-store displays and local community workshops. Public campaigns can effectively improve environmental attitudes and decision-making, fostering more sustainable behaviour without complicating the purchasing process (White et al., 2019). In doing so they would promote distributive justice, more specifically egalitarian, principles in making environmental information accessible to consumers regardless of literacy level or specific background.

In applying distributive justice theories to the Green Claims Directive, each framework highlights distinct challenges and proposes tailored strategies to address them. Egalitarian views highlighted the need to minimise regional disparities by centralising enforcement criteria across nations, thus ensuring that the GCD's impact is experienced equally. Sufficientarian views supported policies that lower compliance barriers for SMEs and financially disadvantaged consumers, potentially through targeted support or simplified ecolabel requirements. Capability theory approaches advocate for initiatives to improve environmental literacy, thereby enabling consumers to critically evaluate green claims and ecolabels, contributing to greater equity in decision-making. Utilitarian views seem to sometimes justify views opposed by the other frameworks. This could for instance risk marginalising SMEs to the benefit of larger enterprises. The effects of conceptualising ecolabels as nudging, in some cases exacerbate the already existing justice issues and raise further questions regarding impartiality. Binary or multi-layered ecolabels are identified as potential solutions to overcoming some of the issues that nudging presents.

5. CONCLUSION

In this research, I have set out to answer the question "How does the Green Claims Directive affect global justice and public trust, and how might these dimensions be improved in future? ". In the pursuit of answering this question, I have answered several subquestions throughout the different chapters. In this final section, I will summarise the results of this pursuit and present my findings and final thoughts on the future of the Green Claims Directive, paired with future research directions. I will try and situate my work in the broader discussion of greenwashing and argue for the novelty of combining both descriptive and normative work in relation to dealing with anticipating European policy.

5.1   TRUST

Public trust has been identified as vital in enabling effective and efficient marketing practices but has been under fire due to the emergence of greenwashing. Understanding trust was therefore necessary to examine how trust could be restored. The focus of the chapter is twofold, first, on whether the GCD would be effective in restoring consumer trust, and second, to analyse the change in trust dynamic when shifting from business to government-endorsed ecolabels under the GCD. This identified shift in responsibility from private businesses to government-endorsed ecolabels represents a fundamental change in how environmental credibility is presented to consumers. To address these questions the trust framework of Mayer needed to be expanded to account for the context of the GCD by incorporating additional determinants of trust. Applying the different determinants of trust to both the business and governance context highlighted differences and challenges for both organisations. One of these issues is the reported absolute trust gap between businesses and governments through the trust barometer of Edelman, (2024). Addressing this trust gap poses a challenge for the GCD to overcome when trying to achieve its policy goals. The difference in expectation and perception of both organisations were found to significantly affect public trust and might partially account for the perceived gap by Edelman. In an attempt to improve the effectiveness of the GCD in restoring trust and synthesising effective ecolabels, I highlighted several areas for improvement. Transparency and accountability mechanisms in ecolabel certification should be strengthened to increase trust through increased perceptions of integrity. Public engagement efforts can aid in this process by increasing policy legitimacy and a sense of shared responsibility. And finally, governments must demonstrate competence and effectiveness in implementing ecolabel standards. This could be achieved through incorporating scientific foundations such as life cycle analysis into the label certification process.

Public trust has been established as an important prerequisite for effective policy implementation of the GCD. Adapting Mayer's framework of trust and applying it to the contexts of governance and business was vital in understanding the trust dynamics of endorsed ecolabels. The differences between both institutions do not need to be a reason for competition, both can work together to create a more reliable and trusted system of ecolabels. Government endorsement adds an essential layer of oversight and consistency, while businesses remain key players in driving innovation and efficiency in sustainable practices. This sentiment is confirmed by Edelman, (2024) who reports a 15 per cent point increase in the demand for business-government partnerships when it comes to innovations over the past decade.

5.2   JUSTICE

To provide an answer to the subquestion: "What is the effect of the GCD on global justice outcomes?" several important steps needed to be taken. Given the importance of the employed justice lens in policy making, it was necessary to investigate the EU's current approach to justice. Through the GLOBUS project, these procedural justice frameworks of non-domination, impartiality and mutual recognition were introduced and analysed. Given the outcome-oriented nature of the GCD, it was important to complement these justice frameworks with additional theories to better address fair distributional outcomes. In light of the GCD, the case was made to incorporate distributive justice approaches to analyse potential justice issues. By applying utilitarian, sufficientarian, egalitarian and capability approach theories to the case of the GCD many justice issues could be identified including several degrees of market inequalities, consumer empowerment, and global and environmental responsibilities. These identified issues highlighted the importance of consumer engagement in the ecolabel certification process and aiming for sufficient resources and capabilities for consumers to engage meaningfully with the nuances of sustainability. The impact of the GCD outside the EU opened up discussions of environmental justice and the

unequal distribution of the burdens of sustainability. Financial and capacity-building initiatives were proposed as solutions for mitigating these inequalities.

This analysis further underlined the importance of integrating both procedural and distributive justice principles into the framework of the GCD for addressing both immediate and long-term equality concerns. Combining both in light of the GCD is important to not only ensure fair procedures but also accommodate the equal and equitable distribution of resources and benefits of the Directive. The normative considerations and conclusions drawn in the justice chapter is partially enabled through previous descriptive work in the chapters on trust and nudging. Several reasons for the importance of combining trust and justice have been provided throughout this research. Mainly because trust is often a prerequisite for justice and just outcomes in policy implementations. Consumers place trust in ecolabels through a combination of their personal values and commitment to sustainability. Justice principles also relate to the sustainability and environmental outcomes of the GCD. Through the analysis in the justice chapter, several effects of the implementation of the GCD have been highlighted, answering the research question. The necessity of employing both procedural and distributive justice principles to address these issues has been highlighted together with recommendations for overcoming them.

5.3   NUDGING

The conceptualisation of ecolabels as nudges provided useful insight into the relationship between trust and justice outcomes. Using nudges as a policy tool has proven to be a cost-effective way of influencing consumer behaviour into more sustainable purchase decisions. It highlighted the tradeoff between effective policy outcomes and respecting important ethical and distributive justice principles such as autonomy and the capability to engage deeply with one's environment and information presented. In answering the research question, nudging functioned as a bridge between the descriptive work on trust and the normative outcomes of justice. The trust mechanisms are leveraged into outcomes that are subject to moral assessment through justice principles. Policymakers should consider this weigh-off in designing choice architectures and informing consumers about decisions in their marketing strategies. Multi-layered or binary ecolabels are introduced as potential solutions for mediating these weigh-offs. These binary ecolabels could both help advance policy goals through quick 'system 1' consumer decision-making processes, while also helping empower and enable consumers to educate and inform themselves about the deeper intricacies of sustainability through 'system 2' deliberate decision-making processes.

The present research added to the scientific body of knowledge by exploring and expanding the discussion on greenwashing. It provided valuable policy insights for dealing with international environmental policy implementations in the European Union. It also provided insights into the interrelation between trust and justice and how policy instruments such as nudges can mitigate this relationship. This research has contributed to the body of academic knowledge mainly in expanding the application of trust to both business and governance and meaningfully incorporating justice principles into policy implementations of the European Union. This research also explores the effectiveness of nudges as a policy tool in improving policy implementation which contributes to the field of behavioural science. This anticipatory study could also become a stepping stone for future studies aiming to either analyse the GCD ex post facto or perform similar analyses on other policy documentation.

5.4   LIMITATIONS & FUTURE RESEARCH DIRECTIONS

This research has tried to identify the potential effects of the implementation of the Green Claims Directive of the European Union. However since EU member states have 48 months to implement the directive guidelines into national law and policies, the effects of these implementations can not be observed yet. In this research, I have tried to anticipate and assess the potential effects of the GCD to public trust and global justice. This analysis followed descriptive work on green marketing, nudging theory and trust dynamics in the context of business and governance, to inform normative discussions on global justice and future improvements of the Directive. But, as is often the case with anticipatory work, there are several assumptions and limitations at the foundation of my analysis. This section will try and outline the most important limitations of the present research and indicate directions for future research.

Trust in this research has also been conceptualised through an adjusted framework of Mayer, (1995) with additional determinants. Building or breach of trust has, therefore, been considered to the degree to which these determinants are positively or negatively affected. These determinants, although extensive, might not cover all possible factors that foster trust in the business and governance context. Consumer attitudes, preexisting trust relationships and consumer personality are alternative factors that might influence the level of public trust in the research context. Organisational leadership was also included as an important factor within the framework of Mayer et al., (1995). Where strong leaders who implement successful policies or navigate crises effectively will positively affect public confidence in the organisation (Dirks & Ferrin, 2001). Reversely, unethical or poor leadership practices can lead to the erosion of trust (Brown et al., 2005). Although important, the role of leadership in the overall trust perception of an organisation highly depends on the visibility of the leader (Kouzes & Posner, 2011). The role of leadership, in this context, would add an additional dimension to the conceptualisation of trust. However, in light of the GCD where government leaders are less visible than national leaders, and food industry leaders are also less visible compared to multinational technology companies, this additional role of leadership was deemed to add an unnecessary dimension of complexity to the conceptualisation of trust. To better understand the dynamics of trust that might be at play when a shift in trustee occurs, future research directions could focus on collecting empirical data on levels of trust in specific government institutions and for different tasks. By expanding the body of knowledge with empirical data on trust levels in different contexts and among different stakeholder groups, the effects of trust building as well as trust breaching activities could be more accurately predicted.

Some of the proposed recommendations require initiative and significant action from the side of the consumer, either by participating in education and participation programs or by looking up additional environmental information through QR codes on binary ecolabels. And although these policy recommendations could potentially help achieve their designed ends, their effectiveness depends highly on the level of engagement of stakeholders. Gorton et al., (2021) for instance state that only a minority of consumers recognised the EU's organic logo despite it being launched over ten years ago. Paired with the notion that recognising or knowing about an ecolabel is vital in informing consumer decision-making processes (Thøgersen, 2000), it raises the question of whether these types of policies become effective. It might be an addition only for those educated few to engage on a deeper level with markers of sustainability, while the mass public remains unaffected. Similar question marks can be placed with participation and education initiatives. Despite their significant positive benefits, these positive effects depend highly on the design and successful execution of the participation initiatives (Irvin & Stansbury, 2004). Disadvantages include feelings of insignificance and time consuming from the perspective of the participants and costly, potential for backfire and loss of decision-making control for regulatory bodies (Irvin & Stansbury, 2004).

Another limitation is that although much research has been conducted on the difference in trust between governments and businesses, it remains to be seen whether consumers are aware of this change. Despite the best efforts to educate consumers and increase environmental literacy, there might still be consumers who distrust labelling schemes for past controversies that appeared in media, or other presupposed biases. Along the same lines, the effect of nudging depends largely on whether consumers are aware of them being nudged, and whether this affects their decision-making in any way. It seems that much research has been directed at the effects of ecolabels and the effects of nudges, but little is known about whether they are observed by consumers, and whether the ecolabel or nudge in question is responsible for potential positive effects. Additional research in consumer behaviour and purchase decision-making could illuminate this relationship and explore ways of increasing consumer engagement.

Throughout several chapters, some concerns have been voiced over the feasibility of the proposed mitigation suggestions for the successful implementation of the GCD. Especially when employing justice theories that aim at an ideal situation in a truly fair society. These approaches are often out of touch with reality in assuming that true equality or distributive justice can be achieved, where in practice many significant political, economic and cultural contexts would hinder this. The Discussion between what is pragmatic and what normative theories command has often taking place in literature through differentiating between 'ideal' and 'non-ideal' theory (Kenehan & Katz, 2021). Justice theory, like most of the theories discussed in this research, is concerned with how society 'should' be, and how resources should be distributed fairly and equitably among its citizens. This ideal theory focuses on long-term justice outcomes and ambitious goals based on just moral principles. Examples include the Paris Agreement climate commitments towards a more sustainable and equitable global order. The problem with these ideal theories is that often lack feasibility and pragmatic solutions. Even if all nations would agree, egalitarianism could not be

implemented effective immediately. Non-idealistic approaches do not require a predefined end goal to work towards and pursue justice aims (Kanehan & Katz, 2021). Non-ideal theory as such would therefore also allow for policy implementations that are sub-optimally effective in promoting justice principles. The GCD, despite its good intentions, would be considered such a non-optimal solution. This does, however, not mean that the contributions made in this research have not been worthwhile. The employed ideal distributive justice theories helped inform the direction of non-ideal theory policy implementations. Both are necessary to ensure that feasible, incremental steps are taken towards an ideal worthwhile end goal of justice principles.

In anticipating the effects to public trust and global justice of the successful implementation of the Green Claims Directive several issues have been highlighted. Future research directions should focus on further analysing these issues and further exploring the interaction between trust and justice outcomes as well as the combination of descriptive and normative work in policy implementation. The potential for nudges as a policy instrument has also been explored and further research should focus on how to better balance the weigh-off between advancing policy goals effectively and empowering consumers and respecting their autonomy.

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7. APPENDIX A: CLASSIFICATIONS OF DISTRIBUTIVE JUSTICE THEORIES

As mentioned, distributive justice concerns the ethical principles that determine how goods, rights, and responsibilities should be allocated among members of society. Distributive justice addresses how societies should handle disparities in wealth, opportunities, and resources, considering both what is fair and what is morally acceptable. This section will examine three prominent frameworks of distributive justice, utilitarianism, egalitarianism, and sufficientarianism and apply them to the case of the GCD, exploring both classical foundations and contemporary perspectives. The capability approach developed by Sen, (2014) and Nussbaum, (2000) will be covered separately since it overlaps with multiple approaches. The general aim of distributive justice is to create a balanced society where individuals have access to opportunities and resources necessary for personal development and participation in social life. Each framework within distributive justice whether it's utilitarianism, egalitarianism, sufficientarianism, or the capabilities approach contributes unique perspectives on achieving this balance, making it an interesting field for inquiry in assessing the effects of policy implementations of the EU.

Before introducing different forms of distributive justice, it is important to classify the distinctions between them. In Edward Page's work 'Climate Change Justice' he introduces key dimensions of distributive justice which he calls the scope, shape and currency of justice. This classification answers the questions about *who* benefits, *how* resources and benefits should be distributed, and *what* should be distributed (Page, 2006). Page situates his work in the context of climate change and also includes perspectives of environmental justice which aligns with the policy objectives of the GCD. Page's classification shall be used to introduce the different justice frameworks and give a clearer overview of the distinctions between them.

7.1 UTILITARIANISM

Utilitarianism is a consequentialist theory of justice that evaluates the morality of actions based on their outcomes. Rooted in the works of Jeremy Bentham and John Stuart Mill, utilitarianism holds that actions or policies are just if they result in the greatest good for the greatest number of people (Bentham, 1789). This framework prioritises cumulative welfare and views justice in terms of overall happiness or utility maximisation (Mill, 2016). Mill introduced a qualitative dimension to classic utilitarianism, distinguishing between higher and lower pleasures. His refinement allowed for a more nuanced assessment of utility that takes into account not just the quantity but the quality of well-being (Mill, 2016). In terms of distributive justice, utilitarianism has been critiqued for its potential to justify unequal treatment in pursuit of maximising overall utility (Nozick, 1974). For example, a policy that significantly benefits a majority while marginalising a minority could be considered just under a utilitarian framework, raising concerns about individual rights and fairness. Contemporary utilitarians like Peter Singer have attempted to address these issues by incorporating considerations of fairness and impartiality (Singer, 1972). By arguing for the equal moral worth of each individual and including the rights and needs of the most disadvantaged, Singer, (1972) incorporates a 'Rawlsian' aspect to utilitarianism that promotes fairness as an integral part of moral weigh-offs.

Scope: Utilitarianism generally advocates for universal scope, implying that all individuals who can experience pleasure or pain, including future generations, are relevant to the distribution of resources. This view aligns with Bentham's 'greatest happiness' principle, which considers the aggregate welfare of all affected parties (Bentham, 1789).

Shape: The shape of distribution in utilitarianism is primarily focused on maximisation rather than equality or sufficiency. Resources or benefits are distributed in such a way as to produce the highest total or average welfare, regardless of how it might concentrate resources in particular individuals or groups if that maximises total happiness.

Currency: The currency in utilitarianism differs among scholars, although the goal is always to maximise utility. Bentham, (1789), focuses on pleasure and takes a quantitative approach where all pains and pleasures measure on the same scale in attributing to happiness. Scholars like Mill, (2016) take a qualitative approach where some pleasures are considered higher in quality and more desirable than others, these conceptions come closer

to subjective terms such as welfare. In climate change discussions, utilitarianism might advocate for policies that maximise overall global welfare, balancing costs and benefits for the greatest net gain across current and future generations (Page, 2006).

7.2   EGALITARIANISM

Egalitarian theories of justice are rooted in the principle of equal distribution of resources, opportunities, and welfare. The most famous one is John Rawls' *A Theory of Justice*, (2017) which was introduced at the start of this chapter. Rawls' two principles of justice are designed to ensure that individuals in a well-ordered society have equal basic rights and that social and economic inequalities are arranged to benefit the least advantaged members of society. Rawls' "difference principle" allows for inequalities only if they improve the situation of the worst-off, distinguishing egalitarianism from strict equality by permitting some degree of inequality as long as it benefits those who are disadvantaged. Some have also tried to expand Rawls' work and apply it to the global domain. Beitz, (1999) rejects the idea of the 'society of states' which poses that states are sovereign entities that are insulated from external moral assessment and intervention. By doing this, he goes against Rawls and other scholars of the time who placed the state as the main actor in the international system, where each had equal standing and the right to self-determination. Beitz, (1999) argues for a global application of Rawls' difference principle to establish a fair division of resources among individuals across different societies internationally. By questioning the traditional interpretation of state sovereignty, Beitz, (1999) argues for a more cosmopolitan approach that recognises the interconnectedness of the global community and the responsibility of more well-off states to address international inequalities.

In contemporary discussions, Anderson, (1999) critiques Rawls' approach by arguing for a more relational form of egalitarianism that focuses not only on distributing resources but also on ensuring that individuals stand in relation to equality to one another. Anderson's work highlights that justice should not only aim at ensuring fairness in material goods but also at promoting social equality and eliminating oppressive hierarchies.

Scope: Egalitarianism typically applies universally, asserting that all individuals are equally deserving of moral consideration. This universal scope includes not only current individuals but often future generations as well, especially in discussions of environmental ethics (Gardiner, 2004). Egalitarians argue that all individuals, regardless of when or where they exist, should have equal standing in the distribution of climate benefits and burdens (Page, 2006)

Shape: The shape of egalitarianism is characterised by equality. Egalitarian theories argue that resources or opportunities should be distributed as equally as possible, with deviations justified only to improve the position of the worst-off (Rawls, 1991). Because of the interdependence of states, this shape of justice also applies at the global level (Beitz, 1999).

Currency: Egalitarianism can take multiple forms concerning currency, such as resources (Dworkin, 2018) or opportunities for welfare (Arneson, 1989). Some egalitarians, following Sen (2014), argue that the currency should be 'capabilities' ensuring that each person can achieve certain essential functions. In climate justice, egalitarianism would support equal access to resources that enable individuals to withstand climate impacts, such as food security, healthcare, and stable shelter (Page, 2006).

7.3   SUFFICIENTARIANISM

Sufficientarianism is a theory of distributive justice that departs from both utilitarian and egalitarian frameworks by focusing on ensuring that individuals have 'enough, rather than striving for equality or maximising utility. Frankfurt, (2018) articulated the sufficientarian position by arguing that equality, as a moral goal, is misguided. Instead, he proposed that what matters in distributive justice is that individuals have sufficient resources to live a decent life, not that everyone has the same.

Sufficientarianism posits that justice requires everyone to have access to a threshold level of resources or welfare, which is necessary for achieving basic well-being. Once individuals have enough, further redistribution is less

morally urgent (Huseby, 2010). This framework is appealing in contexts where the focus is on alleviating poverty or ensuring access to essential resources such as food, shelter, and healthcare.

More contemporary sufficientarians like Casal, (2007) have worked to refine the theory by addressing potential ambiguities regarding what counts as 'enough' and how this threshold should be defined. She also distinguishes between two 'theses' of sufficiency. The *positive thesis* addresses the importance that every person has enough, while the *negative thesis* states that inequalities above a certain threshold of sufficiency are less morally problematic. And many authors have indicated that individuals below the 'sufficiency threshold' should have absolute priority (Huseby, 2010). Sufficientarianism is particularly relevant in debates about global justice and poverty alleviation, where ensuring a basic standard of living is seen as a key moral objective. However, critics argue that sufficientarianism can fail to address inequalities that exist above the sufficiency threshold, leaving some people with vastly more resources than others, which may still contribute to social injustice. Casal, (2007) argues that even once basic needs are met, utility and well-being have moral significance because persistent inequalities can undermine justice, fairness, and social cohesion.

Scope: The scope of sufficientarianism is generally broad, covering all individuals who lack sufficient resources to meet their basic needs. While Frankfurt, (2018) focuses on individual well-being within current populations, many modern sufficientarians extend this to future generations, particularly in environmental ethics, to ensure that climate change mitigation provides a baseline of well-being for all (Page, 2006).

Shape: The shape of sufficientarianism emphasises sufficienc*y*, rather than absolute equality or maximisation. The primary goal is to lift all individuals to a level of "enough" resources or capabilities, beyond which additional benefits carry less moral urgency. Sufficientarianism thus prioritises the needs of those below a threshold level, ensuring they reach a minimally decent standard of living.

Currency: Sufficientarians may emphasise different currencies, such as basic capabilitie*s*, as argued by Nussbaum, (2000) and Sen (2014). These capabilities represent essential freedoms and functions, such as health, education, and basic environmental quality, necessary for a dignified life. Huseby, (2010) distinguishes the basic needs for survival e.g. food, clothing, and shelter, as the minimal sufficiency threshold and the level of welfare at which a person is content with their life as the maximal sufficiency threshold. In the context of climate policy, sufficientarianism would support policies that prevent those most vulnerable from falling below this threshold, such as protection from severe climate impacts or ensuring basic resources like water and food security (Page, 2006).