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Introducing Product Environmental Footprint to policymakers in Azerbaijan



Background

In 2013, the European Commission (EC) published a recommendation on the use of a common methodology to measure and communicate the environmental performance of products and organizations. This recommendation was part of the European Union (EU) Single Market for Green Products (SMGP) initiative and came as a response to the endless list of “green” or sustainability-related labels that were leading to confusion for consumers and additional costs for those companies wishing to market their products as environmentally-friendly. Within the EU SMGP, over 280 volunteering companies and organizations learned about the requirements needed to calculate environmental footprint through either the Product Environmental Footprint (PEF) or the Organization Environmental Footprint (OEF).²

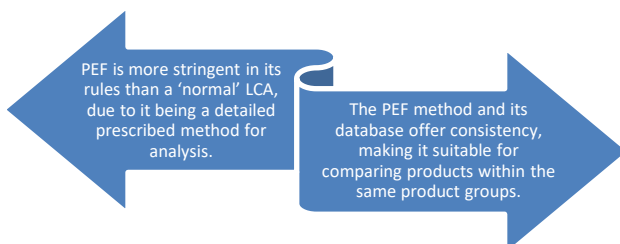
What is Product Environmental Footprint (PEF)?

The PEF is a multi-criteria measurement of the environmental performance of a good or service throughout its life cycle. PEF information is produced with the purpose to reduce the environmental impacts of goods and services, considering their supply chain activities (from the extraction of raw materials, throughout production and use, all the way to the disposal of waste). In brief, PEF is the EU-recommended tool, based on the Life Cycle Assessment (LCA) of a product or service, to quantify its environmental impacts. It does so by modelling the environmental performance of the flows of resources, materials, or energy, and by looking into the supply chain of the product to better identify waste streams associated with production.

PEF and LCA

The PEF method is closely tied to LCA, but it is not identical to it. LCA is a standardized methodology quantifying environmental pressures, benefits, trade-offs, and areas where improvements can be made in the life cycle of a product. The LCA looks at product phases (such as production, transport, use, and end of life). Separately, PEF is a way of conducting the LCA, with an added strength to deliver more consistent, reliable, and reproducible results.

Key takeaways



This is because the PEF methodology is less flexible than LCA, has more stringent requirements on data quality, and introduces weighting and normalization of databases, which reduce freedom of interpretation.³ Moreover, the PEF and OEF methods provide guidance for the collection and modelling of inventory data (including allocation rules for recycled materials as well as data quality requirements).

PEF as a policy tool to decision-makers

Life Cycle Thinking (LCT) has become a key complementary tool in policy and decision-making, both for the Government and for businesses. LCT is a holistic approach for considering the environmental impact of products, beyond the manufacturing process. This is because LCT focuses on enhancing sustainable practices and improves production. This results in a smaller environmental impact and the minimization of resource use.

For those working in the field of policy development, taking a life cycle approach is beneficial for a number of reasons:

- Gathering baseline environmental impact information for market-orientated policies and the promotion of innovative product design;
- Understanding trends in product supply chains and where to best influence the chain;
- Developing resource strategies, such as optimal waste management;
- Better informing consumers through the use of labelling schemes and the use of Green Public Procurement (GPP);
- Supporting the national policy attempting to tackle green washing.

Promoting life cycle approaches in Azerbaijan

PEF and LCA are relevant methodologies that promote LCT. This, in turn, can integrate practical and consistent approaches into national policies on climate change mitigation, renewable energy, and sustainable production and manufacturing. Recently, new potential drivers and application areas for these methodologies have emerged (including national environmental and sustainable development commitments). They require holistic, life cycle-based approaches, as well as transboundary partnership projects, to further incentivize the development of sustainable production processes.

The widespread use of resource efficiency and life cycle approaches can only be possible through the adoption of a relevant national policy on using PEF to communicate the environmental performance of products. A crucial aspect here would be integrating PEF labels or certifications into the institutional structure and legislation. Incentive schemes such as a reduced VAT rate or a VAT exemption for products with PEF credentials could also have an important influence on producers and consumers

Gaps in the application of PEF in Azerbaijan

The PEF methodology is still a relatively new concept in Azerbaijan and in the so-called “transition phase” (pilot phase). As this phase will be completed by the end of 2024, the use of PEF is currently done on a voluntary basis.

The current context of the institutional set-up and legislation in Azerbaijan

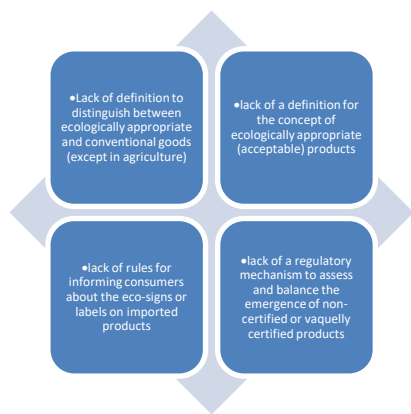
A PEF-based labelling approach should be integrated within the institutional system. The main challenges in Azerbaijan’s environmental labelling legislation include:

¹ Source: the photo was made and is owned by REC Caucasus

² Source: <https://www.eu4environment.org/news/the-potential-applicability-of-the-pef-methodology>

for-azerbaijani-enterprises/#_ftn1

³ Source: https://www.meti.go.jp/committee/kenkyukai/sangi/lca/pdf/001_04_00e.pdf



The absence of national certification and accreditation bodies in the country also makes it necessary to carry out such certification and accreditation abroad. This leads to high costs related to international accreditation and certification, as local producers are spending more resources for international certification to mark their products as environmentally-friendly (regardless of if their products are destined for national or international markets).

Recommendations to develop ecological certifications or labelling

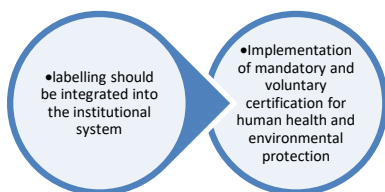
In the field of standardization:



In the field of accreditation:



In the field of certification:



How to use the PEF method under EU4Environment

Currently, in the Eastern Partnership (EaP) region, the PEF methodology is promoted as an activity led by the United Nations Industrial Development Organization (UNIDO), through EU4Environment. Here, the planned work includes mapping existing practices and barriers to introduce PEF to the available labelling schemes, raising awareness and understanding of the opportunities and benefits of the SMGP Initiative through PEF, and leading the way to pilot and promote PEF in selected industries.

This will make the local stakeholders more aware of the potential benefits and impact of applying PEF, create local capacity in the EaP region, help the national industries to be better prepared for potential policies involving PEF, and provide learning opportunities for local experts (by using pilot studies and making concrete suggestions for a manufacturing shift towards more sustainable products).

In addition, UNIDO will promote local awareness and capacity-building activities that contribute to the broader support of green efforts and policies. The learnings from this initiative are also used to formulate recommendations for enabling PEF-compliant studies in other regions outside Europe.

About EU4Environment

Since 2019, the EU-funded EU4Environment Action has been supporting Azerbaijan, alongside other EaP countries, in pursuing the path of green transformation.

The EU-funded EU4Environment Action aims to preserve and better use natural capital, increase people's environmental well-being, and stimulate greener economic growth in the Eastern Partnership countries. Its initiatives help deliver policy and legislative changes, make planning and investment greener, and stimulate the uptake of innovative technologies by adopting new business models and creating green jobs.

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