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INTRODUCING THE EU SINGLE MARKET FOR GREEN PRODUCTS (SMGP) IN ARMENIA



CONTEXT

The EU Single Market for Green Products (SMGP) initiative is introduced by the United Nations Industrial Development Organization (UNIDO) within the EU-funded EU4Environment Action to support the development of a Green and Circular Economy in the Eastern Partnership countries, including Armenia, and provide valuable information and resources related to SMGP and the Product Environmental Footprint (PEF) methodology. This leaflet is part of the PEF-dedicated resources created under EU4Environment to help promote environmentally-friendly and SMGP practices in the Republic of Armenia.

WHAT IS THE SINGLE MARKET FOR GREEN PRODUCTS (SMGP)?

Armenian companies wishing to market their products as environmentally friendly usually face difficulties when measuring and comparing their environmental performances due to the lack of a unified system of methods and procedures.

To establish a fair and equal level playing field when it comes to environmental communication in the European Union (EU), between 2013 and 2018, the European Commission introduced the Single Market for Green Products (SMGP) initiative. Within it, 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).

WHAT IS PRODUCT ENVIRONMENTAL FOOTPRINT (PEF)?

The PEF methodology 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 and/or communicate the environmental impacts of goods or services, covering their entire life cycle (from the extraction of raw materials, through production and use, and the final waste management).

In brief, PEF is the EU-recommended method, based on the Life Cycle Assessment (LCA), to quantify the environmental impacts of a product or service. PEF is a way of doing an LCA, but with an added strength to deliver more consistent, reliable, and reproducible results. This is because the PEF methodology provides concrete rules which reduce freedom of interpretation and foster stringent requirements on data quality and verification.

HOW PREPARED IS ARMENIA TO ACCESS THE EU SMGP?

The Government of Armenia joined efforts with international organizations and initiated important steps to achieve Circular Economy principles, mitigate climate change, and invest in other environment-related priorities. Nevertheless, although the prospective development of strategic documents is a favourable foundation for decision-making and policy-making towards environmental labelling frameworks, incentive mechanisms are still needed to mainstream policies and strategies destined for the public sector.

On 27 June 2022, the Government of Armenia, in collaboration with the World Bank, the European Union, and the United Nations Development Program, launched the platform "Growth and Recovery for the Strengthening, Upgrading, and Prosperity of Armenia".¹ The GREEN Armenia platform aims to unify and streamline policies and investment projects towards Armenia's green economic development. To achieve sustainability goals and ensure the effectiveness of the platform, the initiating parties highlight the importance of having close cooperation between public, private, and international partners.

The Republic of Armenia Perspective Development Programme (2014-2025)² and the Programme of the Republic of Armenia (2021-2026)³ outline the sectoral or strategic directions of development in the country. The documents focus on environmental and economic aspects (such as the concept of green economy, resource efficiency, and relevant infrastructure).

Public cluster stakeholders, derived from institutional regulations, must periodically invest in opportunities for stakeholder intra-cluster cooperation. As the work on promoting export-oriented products is a dynamic enterprise, the engaged institutional stakeholders should be committed to empowering export-oriented companies by strengthening public-private dialogue and building the necessary capacities. In this sense, the promotion of PEF methods among Armenian manufacturing companies can help increase export capacities and allow local manufacturers to compete in the growing markets of environmentally conscious products.

[1] Source: www.worldbank.org/en/news/press-release/2022/06/28/first-policy-dialogue-of-the-green-armenia-joint-platform-takes-place

[2] Source: www.gov.am/files/docs/1322.pdf

[3] Source: www.gov.am/files/docs/4586.pdf

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WHAT DOES PEF MEAN FOR ARMENIAN COMPANIES?

PEF enables enterprises to effectively improve the sustainability of their supply chain. A PEF study will provide valuable insights into the most impactful ingredients, processing steps, or life cycle stages of a product; and is, therefore, the perfect starting point to reduce the negative impact on the environment (for instance, by rethinking the design, closing resource loops, or giving by-products a new purpose).

Besides offering datasets, impact indicators, and calculation rules, product-specific category rules (PEFCRs) also give general rules to product groups so companies can benchmark their progress for a product within a specific category. In turn, enterprises can better understand their environmental performance and compare it to competitors (Armenian and European). Benchmarking is also a powerful incentive to build a reputation and create sustainable and environmentally friendly goods and services that are appreciated in the everyday lives of consumers.

Hence, being a good environmental performer, especially in a market as dynamic and competitive as the EU Market, is an added value that can ensure good business prospects and sound strategies for any company. On the consumer side, making informed purchasing decisions has become a common practice in the European Union and around the globe. By comparing the performance of similar products or services, consumers can learn to trust new brands and make informed decisions.

WHAT ARE THE BENEFITS OF ENVIRONMENTALLY-FRIENDLY PRODUCTS?

Producers can differentiate themselves from competitors by offering environmentally friendly products, which can provide reliable competition in terms of environmental value. By preparing and delivering products or services in a responsible way, service producers can gain customer recognition for their commitment to sustainability. This can lead to stronger employee attachment due to the company's positive attitude towards the environment and sustainability. Additionally, offering environmentally friendly products can result in economic benefits through more efficient processes and well-thought-out sustainability initiatives.

Producers can benefit from environmentally friendly products through increased sales, as end consumers prefer or demand sustainability credentials for products. This means that producers which offer such products can attract more environmentally conscious consumers. Furthermore, the availability of environmentally friendly products can result in increased buyer loyalty, as they are more likely to return to a business that aligns with their values and beliefs on sustainability.

Environmentally friendly products have numerous benefits for communities. They can help to reduce environmental impact through improved processes, resulting in less waste and increased recycling efforts. By promoting environmentally responsible activities, these products can also raise awareness about the importance of sustainability. Additionally, by providing sustainability information through labelling, service producers can make it easier and more cost-effective for consumers to obtain this information, further encouraging environmentally responsible purchasing decisions. Overall, the use of environmentally friendly products can help communities to achieve a more sustainable future.

HOW DOES EU4ENVIRONMENT PROMOTE PEF?

Currently, in the Eastern Partnership (EaP) region, the PEF methodology is promoted by UNIDO through the EU-funded EU4Environment Action.

Here, among others, the planned work includes mapping existing practices and barriers to introducing PEF; comparing those 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 EaP industries.

The Action 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 be better prepared for potential policies involving PEF; and provide learning opportunities for local experts by using pilot studies and making concrete suggestions for more sustainable production.

In addition, the UNIDO will include local awareness and capacity-building activities that contribute to the broader support of the "green" efforts and policies in Armenia.

ABOUT EU4ENVIRONMENT

The EU-funded EU4Environment Action aims to help the EaP countries preserve and better use their natural capital, increase people's environmental well-being, and stimulate greener economic growth. 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. Within it, UNIDO is responsible for the following outputs under Result 2, "Circular Economy and New Growth Opportunities":

1. Scaling up Resource Efficient and Cleaner Production (RECP) among Small and Medium-sized Enterprises (SMEs) through

-  Capacity building and awareness about resource efficiency in industry
-  RECP assessments for manufacturing SMEs
-  Establishing RECP Clubs of enterprises
-  Evaluating the feasibility of applying the Eco-Industrial Parks framework at existing industrial sites
-  Developing Industrial Waste Maps in selected regions

2. Introducing and promoting the concepts and tools of the SMGP initiative and PEF methodology through

-  Mapping barriers and opportunities for PEF
-  Promoting SMGP awareness
-  Building capacity for PEF application
-  Piloting PEF in selected SMEs

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