

Acceptance of CO₂ fuel and lubricant labels by retailers

**A Survey in the Framework of the
Carbon Labelling Project (EIE/06/015)
Deliverable D6**



by

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July 2008

Objective

In the framework of the Carbon Labelling project, which is supported by the European Commission in the Intelligent Energy for Europe Programme, labels for biodiesel (B100) and improved lubricants (synthetic motor oils) were developed. These CO₂Star Labels were applied for B100 on fuel pumps of the German fuel retailer Q1 as well as on four innovative lubricants of Q1. The objective was to increase the consumer's awareness about the GHG mitigation potential of biodiesel, and to promote its carbon dioxide benefits.

In order to assess the acceptance of a CO₂ label among fuel and lubricant retailers, Q1 made a survey with CEOs or Managing Directors of fuel retailers and oil companies. The survey included the following questions:

- What buying motives expect retailers from their customers?
- How important are "climate friendly products" for the business of retailers?
- Do retailers see a benefit in CO₂ labels?
- Which institutions consider retailers eligible to release a CO₂ label?

Situation

Currently, no CO₂ label for fuels or lubricants exists in Germany. Although there have been different marketing campaigns focussing on environmental benefits of biofuels, the main information transferred in customer communication and marketing strategies for fuels is still the performance of fuels or lubricants. Therefore it is very interesting and important for the introduction of a future carbon label to get an idea how experts and retailers consider the acceptability and the effects of a CO₂ label.

Method

In order to evaluate the acceptance of a CO₂ label among fuel and lubricant retailers, the CEOs or Managing Directors of fuel retailers and oil companies were interviewed.

Based on a questionnaire which includes structured open ended and semi-open ended interviews and which is available below, eleven interviews were carried out in July 2007.

Both, the interviews and the questionnaire was in German, however for this report, the questionnaire was translated into English.

Questionnaire CO₂ label for retailers

1. How important is "climate protection" for your business?

- Very important important neutral less important not important

2. How important will be "climate protection" for your business in the future?

- Very important important neutral less important not important

3. Which alternative fuels play a major role for your business?

4. Which alternative fuels will play a major role for your business in the future?

5a. How important is the motive "price" for your customers?

- Very important important neutral less important not important

5b. How important is the motive "product quality" for your customers?

- Very important important neutral less important not important

5c. How important is the motive "climate protection" for your customers?

- Very important important neutral less important not important

5d. How important is the motive "independence from fossil fuels" for your customers?

- Very important important neutral less important not important

6. Do you think a CO₂ label could foster the acceptance of biofuels? How important do you think would be a label for your customers?

Very important important neutral less important not important

7. Do you think a CO₂ label could foster the acceptance of lubricants? How important do you think would be a label for your customers?

Very important important neutral less important not important

8. How big is your interest to use a CO₂ label in the future?

Very great great neutral low no interest

9. Which institutions are eligible to release and certificate a CO₂ label?

Ministry of Environment

industry associations

NGOs

EU

Thank you for your time!

Results

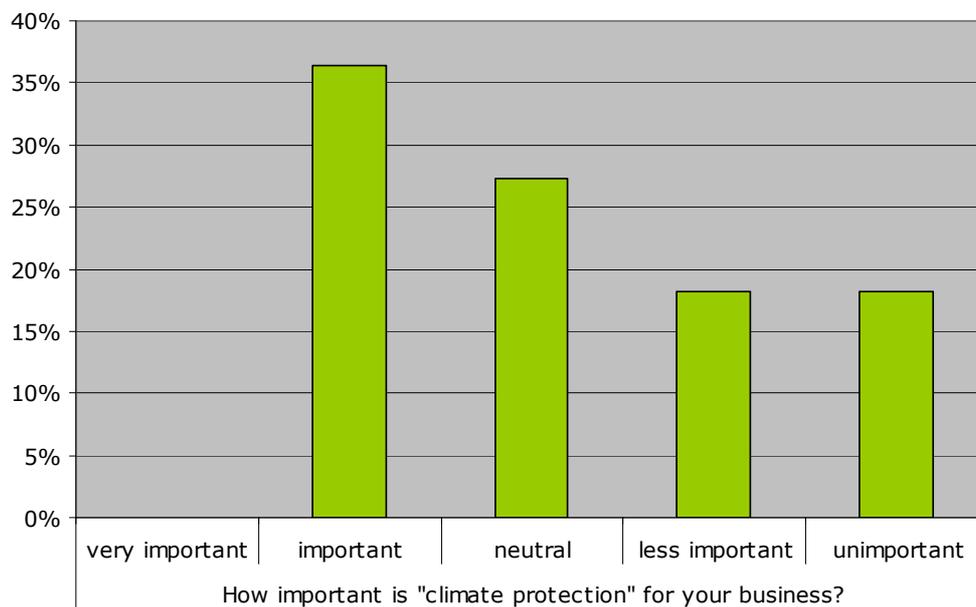
Question 1

How important is "climate protection" for your business?

For the majority of our experts "climate protection" has no significant impact on their actual business. Only one third of the interviewed CEOs stated that climate protection is currently important for their business. These results were underlined by statements like:

"Our consumers do not appreciate climate protection, they are looking for a high performance fuel for a cheap price."

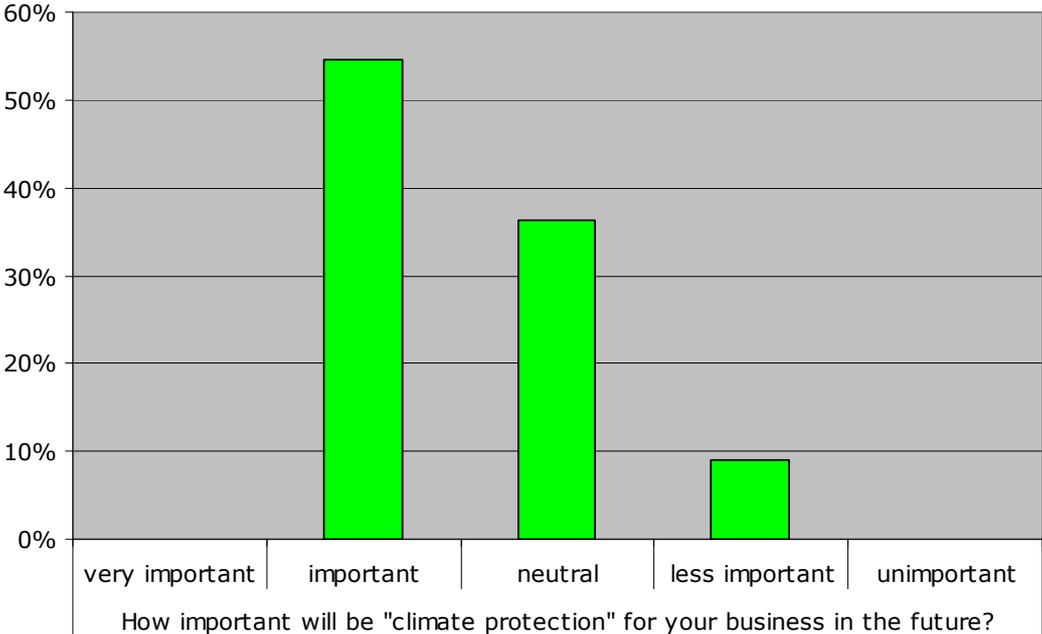
"Our strategy is to offer our customers a fuel with excellent additives. These high performance fuels decrease fuel consumption and therefore lead to climate protection. However it is the performance that we market not the climate protection."



Question 2

How important will be "climate protection" for your business in the future?

When compared to Question 1, it is very interesting to see a significant change in appreciation if retailers are asked about the importance of climate protection for their business in the future. The majority of CEOs regard this topic as important for their future business success.



Question 3

Which alternative fuels play a major role for your business?

Usually different alternative fuels (both fossil and renewable fuels) are included in the product portfolios of the fuel companies. Generally these fuels are called alternative fuels of the first generation. The following alternative fuels were mentioned by the retailers as important:

- 1. LPG (Liquid Petroleum Gas)
- 2. Biodiesel
- 3. CNG (Compressed Natural Gas)
- 4. E85

Question 4

Which alternative fuels will play a major role for your business in the future?

When asked for the most promising alternative fuels in the future we received a broad variety of answers including Statements such as:

"The question which alternative fuel will have a real future totally depends on the taxation by the government."

"We have decided to set our focus on LPG as there are tax recessions until 2019. This motivated many of our customers to refit their cars for the usage of LPG."

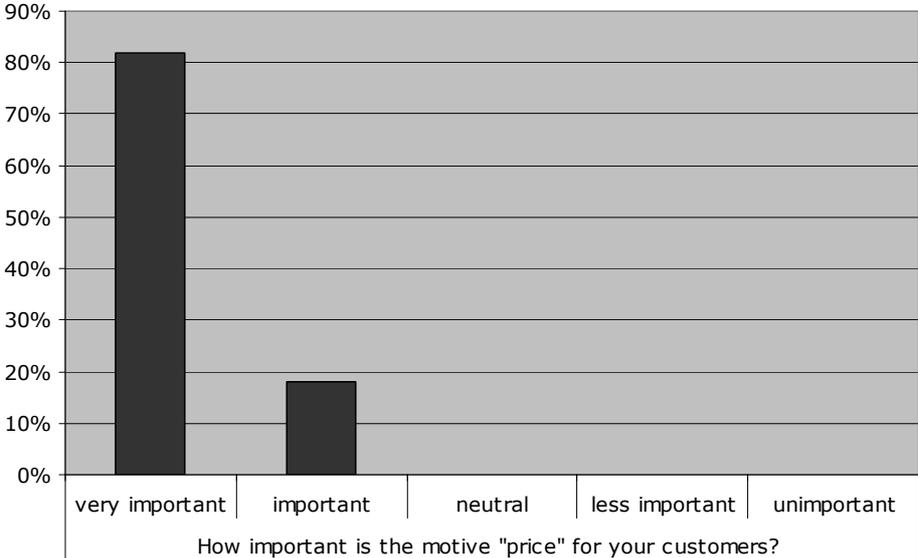
The following alternative fuels were mentioned by the retailers as important products in the future:

- 1. LPG (Liquid Petroleum Gas)
- 2. E85
- 3. BTL
- 4. Hydrogen

Question 5

How important is the motive "price" for your customers?

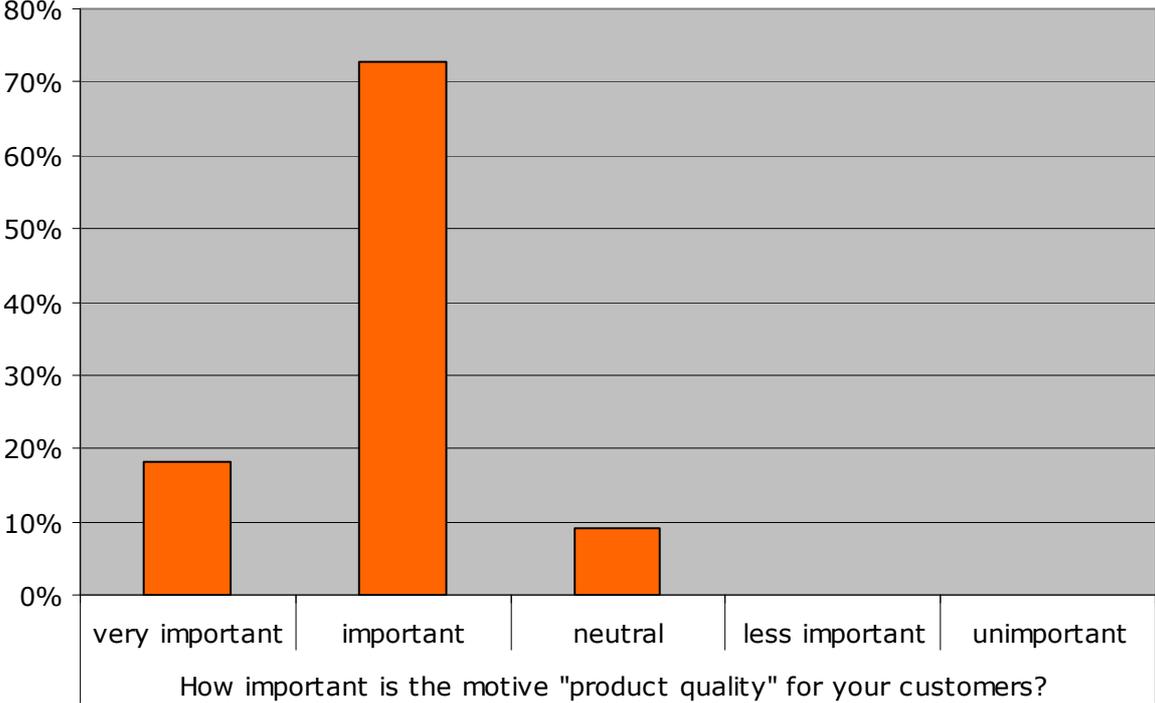
When asked for the buying motives of their clients, the retailers highlighted that the price is of utmost importance for their clients.



Question 6

How important is the motive "product quality" for your customers?

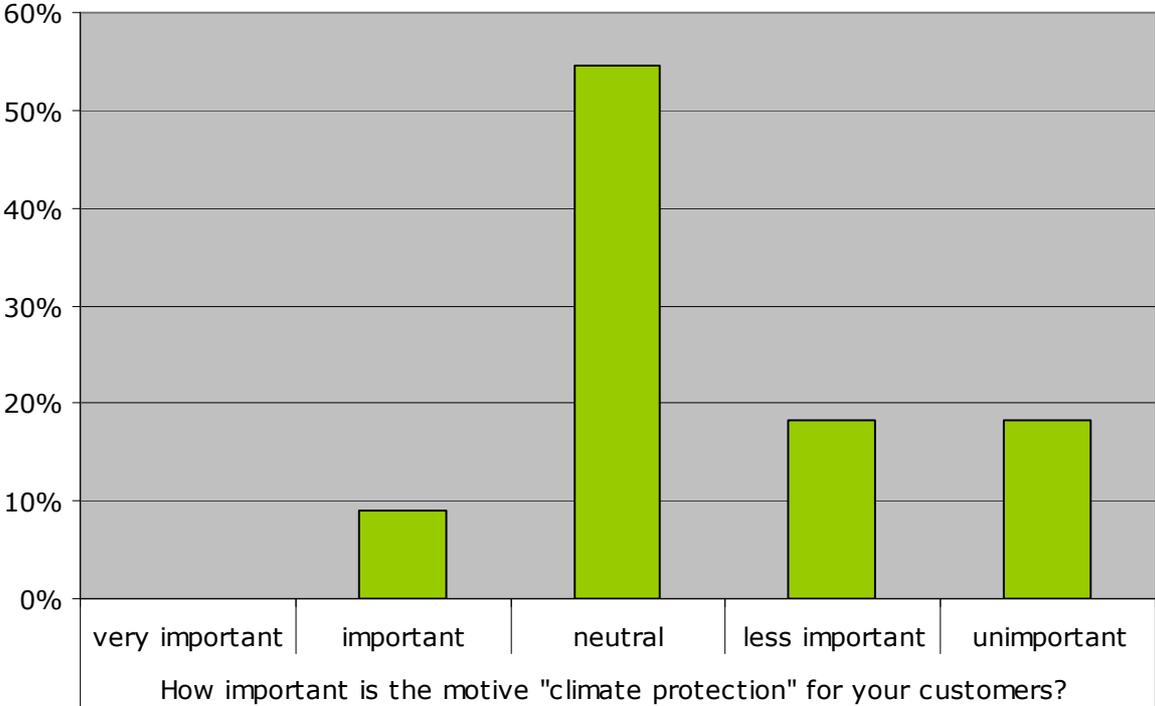
The interviewed retailers also stress, that the product quality is another very important issue for the purchase decisions of their customers.



Question 7

How important is the motive "climate protection" for your customers?

According to our experts climate protection plays no important role for the buying decision of their consumers. These results are consistent with the results from our consumer survey, where the majority of consumers that have been interviewed at the pump claimed that climate protection has no priority in their purchase decision. These results show that the fuel companies know the preferences of their clients.



Question 8

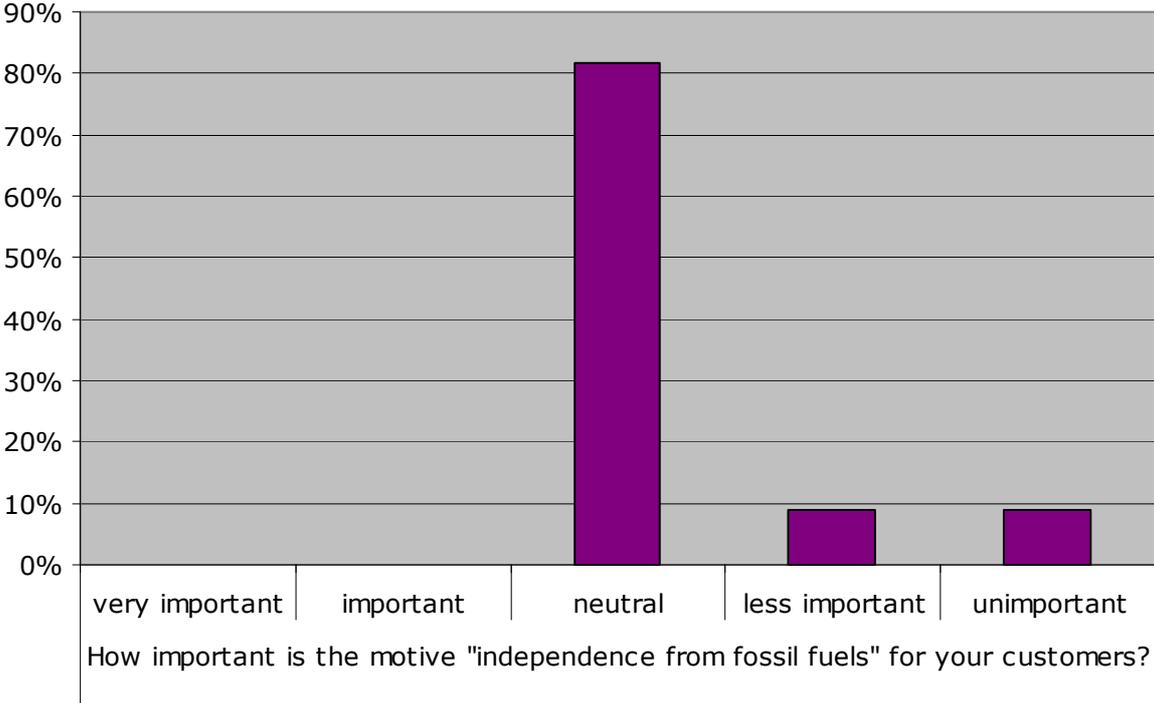
How important is the motive "independence from fossil fuels" for your customers?

Even in times of many public discussions about the peak oil and the depletion of oil reservoirs, retailers claim that the independence from fossil fuels is not yet important for their customers. Again, we have congruent results to those of the consumer survey.

Some important statements of the retailers were as follows:

"As long as fossil fuels are so dominant and ubiquitous independence from these fuels is only a motive for eco idealists."

"Even our biodiesel clients know that they can switch back to fossil diesel immediately and many of them did so when biodiesel prices soared."



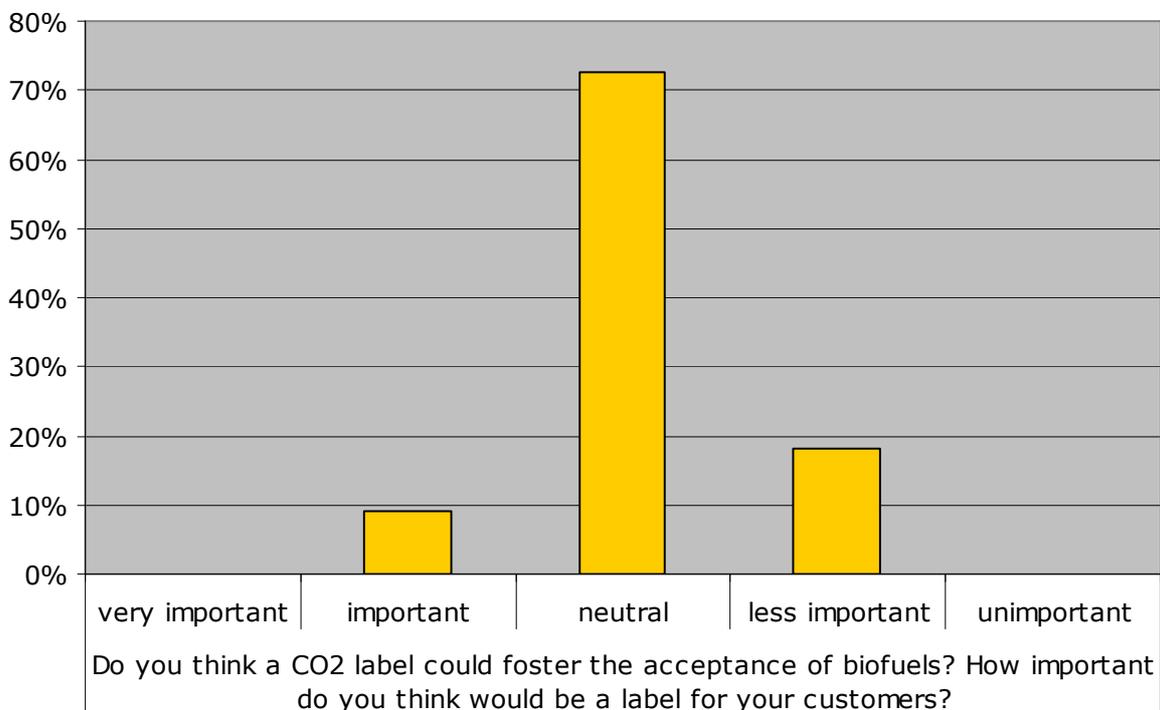
Question 9

Do you think a CO₂ label could foster the acceptance of biofuels? How important do you think would be a label for your customers?

The acceptance of a label for biofuels among the CEOs is moderate. During the interviews there was great worry about the legitimacy of a label and the acceptance by critical consumers. However, some of our interviewed CEOs supported the idea of a logo, but only if it is combined with a strict regulation to guarantee acceptability. The following two statements are representative for most retailers interviewed in this survey:

"We consider the idea of a CO₂ label as fruitful. However it can not be released by a private company or a consortium. By doing that it loses credibility"

"A CO₂ label must be transparent and credible for the consumer. Whereas it must be free of charge and without bureaucratic hindrances for the companies."



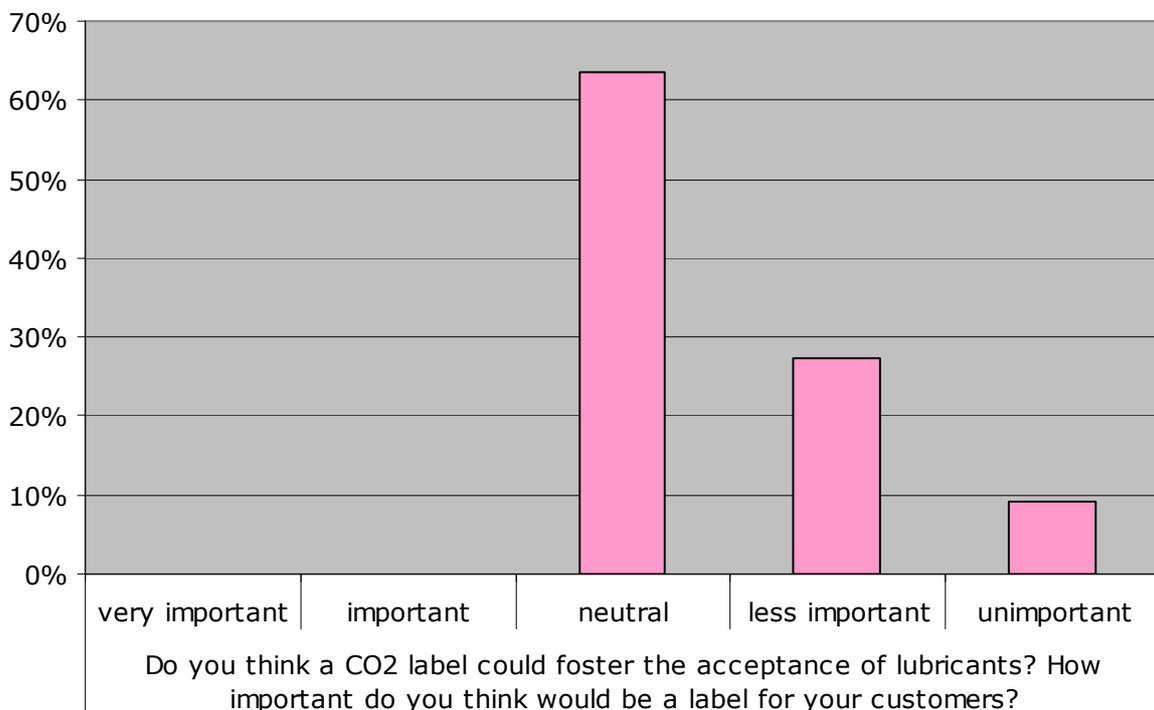
Question 10

Do you think a CO₂ label could foster the acceptance of lubricants? How important do you think would be a label for your customers?

Generally, the interest of retailers in a lubricant labelling programme is low. The interviewed experts argued that it would be very complicated to assess different lubricants in terms of CO₂ reduction. Furthermore, the direct benefit of such a label is not evident to the retailers since it is not clear if such label would be accepted by consumers. This is underpinned by the following statements of retailers:

"I think the consumer is already overstrained when buying lubricants. There are nearly 30 different specifications and 3 different approval systems that confuse the consumer. Additional labels would lead to more confusion."

"Which institution can monitor such a label? Who checks the reduction numbers? I think there is too much room for interpretation and manipulation."

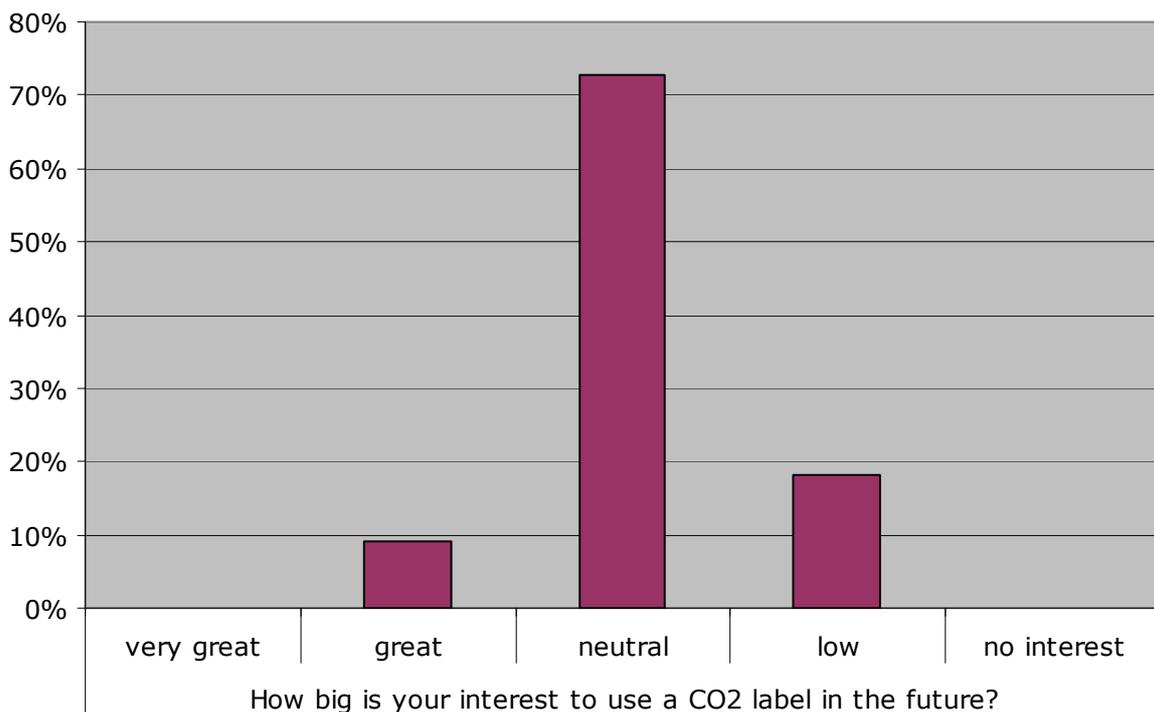


Question 11

How big is your interest to use a CO₂ label in the future?

Although the Carbon Labelling project was considered interesting and valuable, there is a moderate interest to use a CO₂ label in the future. The most important issues which were mentioned by the retailers can be summarised by the following questions:

- Which institution can evaluate products and monitor a labeling process?
- Will there be a fee to use this label?
- What role does the government play, especially with regard to possible taxation measures?



Question 12

Which institutions are eligible to release and certificate a CO₂ label?

If the introduction of a CO₂ label moves from pilot to broad implementation level, including a certification process, a certification body must be established. Thus, the retailers were asked which institutions would be eligible to release and certificate a CO₂ label. Our experts have a very consistent opinion which institutions could be eligible to release a CO₂ label:

1. Ministry of Environment (9 experts)
2. Industry associations (3 experts)
3. EU (3 experts)
4. NGO (1 expert)

Conclusions

In conclusion, this study gives a brief insight in the acceptance for CO₂ labels among fuel retailers. During the interviews with 11 CEOs or Managing Directors of fuel retailers and oil companies there was a generally high interest for the overall topic "Climate Protection". This is underlined by the high response rate of this study: 11 out of 15 addressed CEOs or Managing Directors responded our questionnaires and gave interviews.

Currently "Climate Protection" is regarded as a medium important topic but it is not appreciated as a critical success factor by the fuel companies. This appreciation is congruent with the consumer attitude that we found out in a preceding consumer survey. In that survey 59% of interviewed consumers rejected to pay a higher price for climate friendly fuels and 68% stated that the price of the product is of great importance when buying fuels.

For the future, however, the 11 CEOs rated "Climate Protection" as more important for the success of their business.

The most important alternative fuels in the present are: LPG (Liquid Petroleum Gas), biodiesel, CNG (Compressed Natural Gas), and E85 (Ethanol). For the future our experts consider LPG, E85, CNG and Hydrogen as the most important alternative fuels. Although biodiesel plays a major role among the alternative fuels in the present our experts do not see this product in the future. This prediction was mainly based on the

fact that due to the taxation of biodiesel in Germany the product will be eliminated by the price in the nearer future.

There is a general acceptance of a carbon label *for fuels* among our experts. Although we found out that the acceptance will depend on the following open questions/considerations:

- Which institution can evaluate products and monitor a labelling process?
- Will there be a fee to use this label?
- What role does the government play, especially with regard to possible taxation measures?

The acceptance of a carbon label *for lubricants* is significantly lower. The feasibility of a transparent evaluation of fuel saving and CO₂ reduction was questioned.

All in all our interviews show that there is an interest of fuel companies to use a carbon label. This interest would grow tremendously if the consumer made his purchase decision on the basis of carbon reduction. However up to now there is no incentive for the consumer to buy carbon friendly fuel. Only taxation in accordance with CO₂ emissions would lead to a fundamental change in consumer behaviour and subsequently in retail patterns.