

GreenWatch: Using AI to Detect Greenwashing

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Greenwashing is a broad umbrella term for different forms and practices of misleading communications in relation to performance on environmental, as well as broader sustainability related indicators.

Climate mitigation related greenwashing is not only a challenge for consumers, but also for institutions like asset owners and policymakers given that companies disclose their green credentials through a wide variety of channels (including to several government departments, through numerous social media channels, traditional media outlets, their websites, as well as through statements of their executives in press statements or industry events among others). This resulting large volume of disclosures makes the investment process of asset owners and asset managers prone to rewarding greenwashing companies in the absence of a set of tools which can point towards instances of misleading claims.

The most direct impact of greenwashing is that it hampers the accurate measurement as well as meaningful progress towards SDGs. In the context of climate change mitigation, society may develop a false sense of comfort that climate goals would eventually be reached, but in reality, that would be far from the truth given the distorting effects of greenwashing. This would indeed lead the world towards a catastrophic scenario beyond 2°C warming above pre-industrial levels.

Both at the EU Commission and the national levels there are initiatives for sustainable finance policy that discourages greenwashing but so far, there are no tools to detect the type and extent of greenwashing practices. The detection of greenwashing across a large set of organisations has so far been a challenge, given the volume of disclosures and the numerous communication channels that companies employ.

We believe AI can be an effective tool towards detecting instances of climate change mitigation-related greenwashing. We develop a climate change mitigation greenwashing detection tool which analyses the claims of companies worldwide and contrasts them with the actual performance and activities of companies.

The greenwashing tool is based at the core on a greenwashing identification framework which was co-developed by consulting with over 200 financial services professionals during the concept phase of the project. The resulting definition for incontestable proof of greenwashing companies is:

“For a given company to be categorised as greenwashing, several conditions would have to be met:

- the company in principle agrees that climate change mitigation is a desirable goal, and
- the company declares itself as absolute climate mitigation leaders through its disclosures or communications, but
- the company’s climate mitigation performance lags the required climate performance advised by EU policy or UN guidance, to reduce their GHG emissions by 7% year-on-year to 2050.”