



# Eco-labeling organizations and the credibility debate in International Relations

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## Abstract

The main purpose of this thesis is to explore the relationship between best practice adherence and the ownership status of an eco-labeling organization. The research question that is aiming to answer is what key factors most often explain differences in the level of credibility between for-profit carbon management eco-labels and not-for-profit carbon management eco-labels in transnational environmental governance. The case studies of interest are the two certification agencies Verra and The Carbon Reduction Institute. The issue of credibility of eco-labeling schemes will be looked through a Green IR theoretical perspective and debunked with Neoliberal IR theory. The methods which will be used are Small-N comparison and Qualitative Content Analysis conducted through Index for Best Practices. The data for the study is acquired from the online platforms of the two case studies for investigation.

### Key words:

eco-labeling, certification, Green theory, Neoliberalism, IR, IBP, QCA, Verra, CRI, procedural credibility, greenwashing, gatekeeping

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## Abbreviations List

ANC- African National Congress

CSR- Corporate Social Responsibility

CRI- Carbon Reduction Institute

ERGM- Exponential Random Graph Models

FDI- Foreign Direct Investment

GHG- Green House Gas

IBP- Index of Best Practice

MDGs- Millennium Development Goals

QCA- Qualitative Content Analysis

SDGs- Sustainable Development Goals

SLO- Social License of Implication

TEG- Transnational Environmental Governance

UNCED- United Nations Conference on Environment and Development

VCS- Verified Carbon Standard

WWF- World Wildlife Fund

# 1. Introduction

Over the years, few events marked the rise of environmental politics on a global level. Starting with the Stockholm meeting for the United Nations Conference on the Human Environment aiming to create stable international cooperation between the 114 presenting states concluding with the General Assembly Resolution 2581 (XXVI) (Ferdinand Müller-Rommel 2002:16). Later on in the 1980s more and more green parties started gaining support especially in Western Europe and many NGOs like the World Wildlife Fund (WWF) and Greenpeace were created (Ferdinand Müller-Rommel 2002:16). The transnational element in the environmental degradation issues pointed out the beginning for a new series of summits and conferences like the Rio Earth Summit also known as the United Nations Conference on Environment and Development (UNCED) when the Agenda 21 known as the Rio Declaration on Environment and Development paved the way for the later on obtained Millennium Development Goals (MDGs) in 2000 and the updated version in 2015 the Sustainable Development Goals (SDGs). These events paved the way for a new theoretical perspective in the field of International Relations (IR). With the emergence of a Global Governance theory where the unit of analysis is the non-state actor the traditional Realist and Liberal IR perspectives where the state is the key actor got challenged (Mearsheimer 1994, Waltz 1984, Morgenthau 1948). This also created more space for Critical theory and later on its subfield Green theory to emerge in the hitherto traditional IR. In addition, it made possible for green thought to gain ground on a political level where different actors ranging from governmental agencies to corporations and non-profit-organizations (NGOs) have legitimate role in the decision-making processes.

With these global changes, different forms of transnational governance emerged where both private and public actors started to play roles. In particular, the business-sector engagement with environmental issues started rising questions of purpose. New forms of private governance started appearing like eco-labeling organizations for which there is insufficient research made in the field of IR. That is why the aim of this paper is to contribute to the body of research on credibility of private eco-labeling organizations (ELOs) as transnational governmental tools. In particular, the thesis explores **the relationship between following of best practices and the ownership status of an ELO**. Furthermore, it investigates **what key factors most often explain differences between for-profit carbon management ELOs and not-for-profit carbon management ELOs in transnational environmental governance (TEG)**.

I argue that for-profit ELOs *cannot* be regarded as credible governmental tools due to their reductionist approach towards environmental issues making them aim at increase of capital growth at the expense of the environment. In addition, I argue that this phenomenon occurs through *greenwashing* and *gatekeeping* practices (explained later on) through which it is created more damage rather than preservation to the environment.

On a theoretical level, the thesis takes on a holistic approach with a base of Green IR theory. Importantly, it aims at a theory-infirming result and with a central unit of analysis the ELO as a form of transnational governmental tool. This approach is very common in Small-N comparative case study research which is one of the reasons why the paper will proceed with this theoretical framework. Moreover, there is very little comparative research done on the carbon management sector in the context of sustainability in IR. For this reason, I will follow Ven's (2019) suggestion to develop further research on the sector. In addition, this thesis will continue his investigation on credibility of ELOs as transnational governmental tools. To demonstrate this, the main data which will be used as a material will be qualitative data extracted from relevant websites of the ELOs chosen for investigation e.g. annual reports, available projects programs, standard agendas, etc. The comparative case study research will be conducted on The Carbon Reduction Institute (CRI) which is a for-profit ELO and Verra, a not-for-profit ELO. In order to investigate the cases, I will use the Index of Best Practice (IBP) developed by Ven (2019) to measure and compare the levels of the chosen for investigation bodies for certification.

Overall, this thesis will contribute to the field of IR by testing whether the only measuring mechanism for following of best practices is applicable in other cases than the ones suggested by the creator of IBP Ven (2019). Along with that, it will contribute by presenting the issue of credibility through a Green IR theoretical perspective. What is more, it will further contribute to the research of the underdeveloped field in IR of credibility of ELOs as governmental bodies in TEG.

As mentioned earlier, the thesis will follow Ven's (2019) approach to measure best practice adherence through the *Index of Best Practice (IBP)* and through operationalization of the concept of *procedural credibility*. Alternatively, while Ven (2019) focuses on the targets of the ELOs to govern and hypothesizes that they are the reason for differences in the levels of following best practice adherence of eco-labels, this thesis will predominantly focus on 'who governs' the ELOs and how that influences the credibility of ELOs as governmental bodies. Through the use of the aforementioned measuring tool, the thesis will test whether it is possible this index to be applied in other cases. It should be noted that Ven (2019) is a pioneer in the

field of IR research on ELOs credibility as transnational governmental bodies. That is why his work is the key pillar and model for this research paper. However, theoretically the thesis will follow Gulbrandsen (2010), Darnall and Potoski (2017), Cashore et.al (2004) and Prno and Slocombe (2012), who argue that ELOs can become credible governmental bodies but only with the approval of the state apparatus.

The structure of the paper is as it follows. Firstly, a review of the relevant literature and theoretical perspectives relevant to this paper will be presented. It will start with a presentation of Green IR theory (Eckersley and Christoff 2013, Rittberger and Mayer 1993, Conca 2000) which will be debunked with Neo-liberalism (Keohane 1984, Nye 1974). Next, it will be proceeded with the topics appearing as relevant to the paper and as they are transnational environmental governance (TEG), the eco-labeling mechanism and power and ELOs. Secondly, the methodological approaches of Small-N comparative case study, Qualitative Content Analysis and the IBP measuring index used in the study will be discussed. Thirdly, the results from the conducted analysis will be presented according to the IBP categorical scheme. Finally, a summarizing chapter will provide an overview of the thesis and will suggest perspectives for future research.

## 2. Theory and Literature

### 2.1. Green theory

Due to the holistic approach that this paper is taking on, the most relevant theory to be used is Green IR theory. IR as an academic field has traditionally focused on issues surrounding conflicts between states and security which are usually perceived as ‘high politics’ (Eckersley and Christoff 2013:248). Despite that, environmental degradation and ecological problems which arose in the 1970s and 1980s prompt the beginning of a sub-field of IR aiming to introduce these issues in academia. Since then, a large amount of scholarship emerged discussing degradation of ecosystems, global warming, climate change, biodiversity and other transnational environmental issues. The main IR research done up until the 1990s has focused on environmental regimes and seen the problem of ecological degradation not as an issue that needs theorizing but more as a new political problem. Later on, with the emergence of a more critical Green IR scholarship the rationalist thinking of the traditional IR theories like Realism and Neoliberalism becomes challenged. That also marks the beginning of the questioning of the political and economic agency that different participants in the international system exercise in the context of environmental degradation (Ferdinand Müller-Rommel 2002:16).

The new scholarship that emerged took an alternative path to theorize some of the main concepts in IR like 'security, development, and international justice with new discourses of ecological security, sustainable development and reflexive modernization, and environmental justice' (Eckersley and Christoff 2013:248). Moreover, the normative orientation of the theory suggests a bottom-up approach 'starting from the margins of international relations' with a focus on eco activists, civil society groups with a cause to protect the environment, green political parties, etc. (Ferdinand Müller-Rommel 2002:16). This particular focus on non-state actors allows this paper to theorize ELOs as agents having influence over processes of standard-setting in TEG. In addition to that, it sheds light on the private sector as an active participant and owner of a governing body in TEG.

Last but not least, it is important to be clarified that Green IR theory falls under the line of International Political Economy (IPE) where it challenges the Regime theory perspective on transnational environmental issues. In particular, due to Regime theory's base in the Liberal tradition regimes international institutions are perceived as international cooperation bodies able to influence the way states and non-state actors behave in the international system (Rittberger and Mayer Peter 1993: 239). Along with that, Green IR theory is a subdivision of Critical theory and in particular the Political Economy of Robert Cox. It has a neo-Gramscian base and a discursive approach combined with the Cosmopolitan ethical perspective of Jurgen Habermas (Eckersley 2013:248). That is why Green IR theory is on the 'critical/constructivist side of the Rationalism versus Constructivism debate in IR theory' (Eckersley and Christoff 2013:248).

### *The Rationalists vs. The Greenists debate*

As mentioned earlier the debate between the Rational and Constructivist thinking is the base for the distinction between Neoliberal and Neorealist traditional IR thought and Green IR thought. For the most part, Neoliberal thought has its roots in the idea that cooperation among states is possible 'when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a policy coordination' (Keohane 1984:73). In this sense governments are keen to cooperate only to reduce or prevent an upcoming conflict which would be the consequence if they do not (Keohane 1984:73/2005). Regime creation in that case becomes necessary only to be of use to a specific country's objectives and not to resolve a particular issue as thought by Green IR scholars. Apart from this, Green IR theory challenges Robert Cox's idea that the use of theory is always for

someone's purpose (Eckersley and Christoff 2013:256). For that reason, there is a strong critique from the green supporters towards the ethics and understanding of the traditional rational schools of thought in the context of environmental issues (Eckersley and Christoff 2013:256).

By the same token, Neoliberals hold the reductionist perspective that the capitalist system comprised of international markets and sovereignty of states is the one and only approach towards economic growth. Alternatively, Green theorists take on a holistic approach arguing that 'a precondition for solving [complex] problems is a realization that all of them are interlocked, with the result that they cannot be solved piecemeal' (Brown, 2007 in Eckersley and Christoff 2013:256). That is why Green IR theories argue that sustainable growth is possible but only through cooperation in the international system (Eckersley and Christoff 2013:256). In this case, they aim to resist the current Neoliberal economic regime by promoting the agency of non-state actors in order to foster sustainable development and environmental justice (Eckersley and Christoff 2013:256).

Another issue on which Green IR theorists have challenged the Rational traditional schools is the idea of regime formation. This is the perspective of neoliberals about the purpose of environmental regimes. They argue that these regimes are created solely for a state's own economic interests without taking into account moral norms and ethical values which Green theorists take (Eckersley and Christoff 2014:256).

In contrast, the focus that Green theorists have on social agents is a bottom-up approach which is different from the top-down approach of the traditional rationalist IR schools. One prominent concern of Green IR theorists is that international environmental regimes are often undermined in expense of international economic regimes like f.ex. the global trading regime (Eckersley and Christoff 2013:256). In that sense we should not be putting the blame on states for the occurrence of environmental issues but rather focus on the global value chains and the processes surrounding the mechanism of foreign direct investment (FDI) (Conca 2000: 149 in Eckersley and Christoff 2013:258). Processes like 'resource extraction, production through to marketing, advertising, retailing, consumption, and disposal' need to be approached carefully when it comes to their effect on the environment (Conca 2000: 149 in Eckersley and Christoff 2013:258).

In short, the central difference between the two discussed IR perspectives is that Green IR aims at sustainable economic growth whereas Neo-liberalism has solely focused on economic growth without taking into account ethical practices. Moreover, Green IR theory aims to give a voice to the social agents when it comes to environmental issues and not focus

solely on the state as Neoliberal and Neorealist traditional IR thought. In addition, Green IR theory has tried to present analytical and normative approaches to environmental change on a global level (Eckersley and Christoff 2013:259). Precisely due to this holistic approach, Green IR is used as a theoretical tool in this thesis by putting into a different perspective the newly emerged governmental units ELOs. Furthermore, since this thesis has a theory-infirming aim the Green IR perspective will facilitate the understanding of particular practices of ELOs in the transnational environmental sector.

## 2.2. 'Who governs' in TEG?

Who has the agency to govern in IR has been a widely discussed issue among scholars in different subfields of IR. In transnational environmental governance (TEG) a variety of state and non-state actors interplay in the political and economic field in order to address climate change and environmental degradation (Andonova et.al 2009:69). That is why the aforementioned debate is having a central role positioning scholars from different theoretical schools on the two sides of the spectrum when it comes to opinion-formation. Particular interest in academia sparks around the newly formed 'governing' bodies e.g. public-private partnerships and eco-labeling organizations where private actors actively participate in the process of agenda-setting. Often, the questions that arise are to what extent private actors influence policy-making in these forms of governance and how legitimate are their actions in this context. The two academic opinions on these issues are the following.

On the one hand, there is the argument that the different types of private governmental bodies are actually a form of supplement to the traditional governmental scheme (Mayer and Philips 2017, Andonova et.al 2009, Henriksen and Ponte 2017). The reason for this they argue is that the state is no longer able to rule by itself due to the changed dynamics in the international system (Mayer and Philips 2017, Gulbrandsen 2010, Andonova et.al 2009, Henriksen and Ponte 2017). What is more, new actors have been introduced in the system and that has changed the process of decision-making in any governmental context (Mayer and Philips 2017, Andonova et.al 2009, Henriksen and Ponte 2017). In particular, Henriksen and Ponte (2017:25) argue that contemporary transnational governance cannot be conducted if private actors are not included. This argument is supported by their research done on the aviation industry where they aim to explore the dynamics surrounding regulation across the sector on a public and private level. On a theoretical level, an important concept that they introduce is *public orchestration*. This concept relates to the idea that governmental bodies use different tools in order to influence the system of transnational governance (Henriksen and

Ponte 2017:28). Methodologically, they conduct qualitative content analysis through interpretation and social networks. They use specific exponential random graph models (ERGM) containing the actors that orchestrators are having relations with in order to make an impact in TEG (Henriksen and Ponte 2017:27).

Similar to Henriksen and Ponte (2017), the findings of Andonova et.al (2009:53) forms= their argument that steering activities from different agents leads to the emergence of transnational governance in the environmental context. They conclude that after comprising a variety of actors in climate governance through an original typology created by Andonova et.al (2009:52). Methodologically, they use a Small-N case study approach where they discuss similarities and differences between transnational governance networks working on the issue of climate change (Andonova et.al 2009:53). The downside of this research is that are not taken into account social and geographical factors influencing decision-making procedures and steering activities in climate change governance. In addition, the role of the state is not taken into consideration i.e. the state does not seem to be accepted as an actor participating in this context.

Taking on a relatively new area for IR, Eberlein et.al (2019:1126) explores the field of political corporate social responsibility (PCSR) trying to challenge the traditional notion of zero-sum regulatory share between corporations and governments. He works with three concepts *support*, *shadow of hierarchy* and *soft steering* basing himself on an extensive literature material (Eberlein et.al 2019:1126). His findings suggest that governmental bodies are still able to control 'business conduct in global governance' (Eberlein et.al 2019:1126). Moreover, he urges businesses to be better appreciated as political actors in global governance (Eberlein et.al 2019:1125).

On the contrary, some IR scholars argue that the state still plays central role in transnational governance and is the only actor that has strong influence over decision-making processes (Gulbrandsen 2010,2014, Cashore et.al 2004, Prno and Slocombe 2012). In particular, Gulbrandsen's research (2010:5) compares two private rule-making initiatives the Forest Stewardship Council and the Marine Stewardship Council. He conducts qualitative content analysis on relevant reports and project plans in order to see the similarities and differences between the two environmental agencies. As a result, Gulbrandsen (2010:180) concludes that these types of 'rule-making' bodies do influence dynamics in the process of decision-making and agenda-setting in TEG but are not capable of designing and implementing standards and policies without the approval of the state in which they are residing (Gulbrandsen 2010:180). Similar to Gulbrandsen (2010) this thesis supports the argument that private

governmental initiatives are incapable to be credible and legitimate transnational governmental bodies in the international system without the allowance of the state.

In a similar manner to Gulbrandsen (2010), Cashore et.al (2004) investigate the limits of third-party-certification agencies in TEG. The focus of their research is whether the state's 'old-fashion' approach to policy-making needs these agencies support and if yes on what level they are able to better that process. Methodologically, they use Large-N case study approach using different cases from North America and Europe. For material, they use a variety of reports, plan projects and protocols. As a result, they conclude that the existence of these bodies for regulation is only to undermine the current process of policy-making established by the state and the governmental agencies (Cashore et.al 2004:219). Furthermore, they state that if these agencies want to govern in some way they need to have the approval of the state apparatus and follow the policies of the regional context (Cashore et.al 2004:219). The only insufficiency of this study is that there might be an occurrence of selection bias due to the choices for case studies.

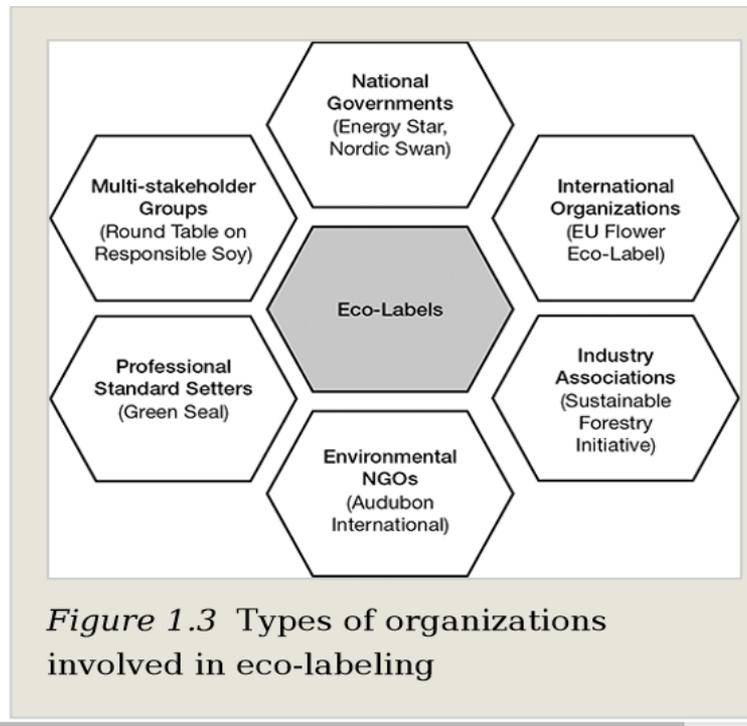
Similarly, Prno and Slocombe (2012:346) aim to explore the newly emerged concept of 'social license of implication' (SLO) using governmentally- and sustainability- based theories in order to find the origins of SLO. They conduct their research obtaining an institutional analysis approach towards the mining sector in the Northern Canada region relying on secondary literature as primary material (Prno and Slocombe 2012:346). They conclude that without doubt non-state actors have gained ground as agents to govern on the sustainable development governmental arena (Prno and Slocombe 2012: 354).

However, they still need to look for approval from governmental and market authorities who are the ones setting the rules in the international political arena (Prno and Slocombe 2012:347).

### 2.3. Eco-labeling

One of the newest forms of governance that appeared in the last few years is the third-party-certification bodies or i.e. eco-labeling organizations (ELOs). ELOs are defined as program bodies which are 'designed to address information asymmetries by signaling information to consumers about a product's environmental impact and reducing consumer uncertainty about the validity of their green purchases' (Darnall et. al 2018:954). There are two main pillars that show the difference in the institutional design of each ELO. That is who is the financial supporter of the organization and the ways in which practices of standard-setting and labeling

are monitored (Darnall et. al 2018:954). Usually, ELOs are beneficiaries of governments and NGOs but often businesses also invest in these types of projects (Darnall et al. 2010).

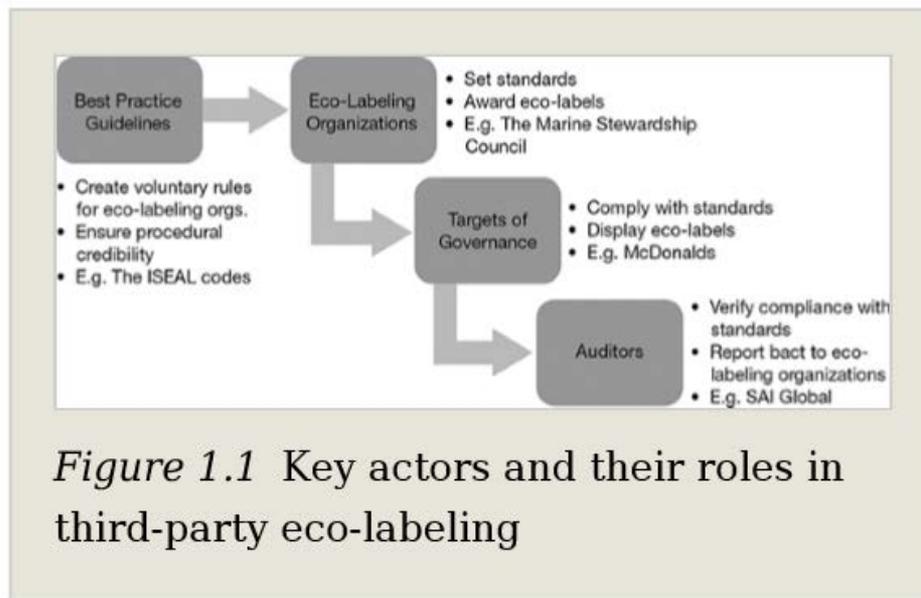


Adopted from Ven (2019:126)

However, the case with the business sponsorship is slightly special due to the raised concerns for ethical issues and manipulation from the sponsors side over standard-setting procedures (Darnall et. al 2018:954). In IR, widely contested became the legitimacy of ELOs TEG due to the wide expansion of privately owned eco-labeling initiatives. Additionally, the question whether they have the agency to govern and set standards in TEG also appeared as contested. Here, academia again divides itself between those supporting and opposing this new approach for policy-making.

On the one hand, scholars argue that the private initiatives are a necessity for the current transnational governmental system due to the need for inclusion of the business sector in environmental issues (Ven 2019,2015; Dingwerth and Pattberg, 2009, Mattli and Buthe 2005, Darnall and Potoski 2017, Fransen 2015). In his earlier work, Ven (2015:276) explores the issue of compliance of ELOs with best practice rules and the conditions necessary for some to participate and for others to not. He examines data of transnational ELO's rules and practices varying across different sectors through a multivariate regression analysis (Ven 2015:276). His finding is that in most cases non-governmental participants and not-for-profit bodies are those which are able to stick to the best practice guidelines whereas business-based ELOs are more often those unable to comply no matter what sector they are in (Ven 2015:276).

Similarly, Ven's (2019) newest research book continues the discussion on the puzzle on why certain ELOs are more capable than others to perform in their practice according to best practices guidelines. These guidelines refer to ISEAL's Code of Good Practice 'providing a globally recognized framework used by leading sustainability standards' (ISEAL Alliance 2019, Codes of Good Practice).



Adopted from Ven (2019:126)

Part of the bigger debate is whether ELOs in general are credible and legitimate transnational governmental tools. In his research, Ven (2019: 5) introduces a new approach to measurement and comparability the index of IBP and the concept of *procedural credibility*. The main argument of the book is that the target group for governance of an eco-labeling organization influences its performance of best practices guidelines (Ven 2019:6). According to him the bigger and more international the target group is, the more inclined to follow best practices ELOs are.

In order to answer the question of what conditions motivate eco-labels to follow best practices he uses Small-N comparative case study approach. In addition, Ven (2019) uses process tracing, primary document research of ELO standards, media releases, policy and procedure scripts, annual reports, taped interviews, and web-based archival materials. In addition, he makes use of secondary sources, including newspaper articles, academic journal articles, and NGO reports and conducts interviews with twenty-five representatives from the sectors of sustainable aquaculture and carbon market management. It is necessary to be

clarified that in this paper main attention is given to Ven's (2019) research because his approach is the one which the paper has adapted. Furthermore, Ven's (2019) concept of *procedural credibility* is used as the main conceptualizing tool in the paper.

*'Procedural credibility can be defined as the suitability of organization-level systems, policies, and processes for bringing about positive environmental, social, and economic outcomes.'* (Ven 2019:5)

This concept refers to practices where there are visible high levels of transparency for policy documents, there is an equal amount of different participating agents and auditing is performed through third-party independent bodies (Ven 2019:5). Moreover, the targets that are put need to be realistic when it comes to consequences for the environment. He argues that procedural credibility is the one possible measuring tool for the legitimacy of an ELO and that can be of help for ELOs to further expand their credibility and environmental objectives (Ven 2019:5). Particular attention is given to Ven (2019) because this paper follows his methodological approach to exploring credibility of ELOs as transnational governmental tools.

In a similar manner to Ven (2019), in their article Dingwerth and Pattberg (2009:708) explore what are the reasons for the sustainability sector to have different regulatory agencies with very similar organizational structure, practice and cost-efficiency. They argue that there has been a growing 'organizational field of transnational rulemaking' in environmental politics. With this in mind, they refer to this process as one where 'non-state actors from more than one country generate behavioral prescriptions that are intended to apply across national borders' (Dingwerth and Pattberg 2009:708). As a conclusion, their findings suggest that the main reason for this phenomenon is the creation of social norms in the process of communication between different state and non-state actors (Dingwerth and Pattberg 2009: 707). They conduct a case study analysis on 13 sustainability-related transnational certification agencies through a coding algorithm in order to measure the strength of their three organizational features (Dingwerth and Pattberg 2009:708).

In the same way, in their research Darnall and Potoski (2017:438) explore if a product is certified as eco-conscious is seen as a sign for the consumer that shows how different its institutional design is when it comes to quality. By limiting their consideration to three types of eco-labels sponsors: governmental bodies, non-state independent agencies and privately owned business associations they argue that the strength of their rules depends on the type of the stakeholder (Darnall and Potoski 2017:439). They conduct statistical analysis using

Fisher's exact test on 189 eco-labeling institutions focusing on their institutional design (Darnall and Potoski 2017:439). As a result, they conclude that the majority of the eco-labels have a core set of rules but their performance and credibility depends on the stakeholder where ELOs with private stakeholders show the weakest performance compared to governmental and independent bodies (Darnall and Potoski 2017:439).

Similarly, Fransen (2015:294) explores what reasons stay behind the fast-growing number of non-profit standard-setting organizations focused on competition-addressing among private standard-setting ones and why are they so eager to compete among themselves. Drawing on extensive literature review and conducting a comparative case study analysis of two agricultural goods, Fransen (2015:294) develops his argument with analytical base in the context of 'private governance and meta-governance of sustainability issues' of the agricultural sector. For his findings, he relies on interviews with relevant stakeholders, participatory observation and conducts an analysis on relevant policy documents (Fransen 2015:295). Fransen's main argument is that private sustainability governance is necessary for the standard-setting system because it is the necessary tool for coordination in situations of problem-occurrence among participants across borders (2015:295).

Likewise, Mattli and Buthe (2005:400) examine the way corporate actors behave as regulators after being given the role from governmental agencies. They approach the issue through principal-agent theory focusing on empirical cases of eco-labels cooperating with the accounting sector in the U.S. Their conclusion is that most often the interests taken into account when standards are set in eco-labeling schemes sponsored by businesses are usually inclined towards the interests of their financial supporters. That is why they conclude that a principal-agent relationship is definitely visible (Mattli and Buthe 2005:407).

On the contrary, Schäferhoff et.al (2009:455) take on a neo-Gramscian perspective and conduct a critical analysis of the transnational PPP and standard-setting research done so far. By exploring the variety of IR literature through different conceptualizations from legitimacy to efficiency, they conclude that there is a need for more IR-theory based comparative research on transnational organizations for standard-setting operations (Schäferhoff et.al (2009:455). They argue that this research can provide the necessary tools to be measured the abilities of these kind of partnerships and organizations as credible governance tools (Schäferhoff et.al 2009:455). Basing themselves on the reviewed literature, they argue that in most cases the issue of self-regulation appears due to private actors' interest to keep its rationalist perspective about capital growth and simultaneously modulate to the current eco-conscious stream demanded from consumers and public agencies (Schäferhoff et.al 2009:452). In this theoretical

conception, the type of private standard-setting transnational bodies exist only to create a better representation of the current global capitalist system. That notion mainly relates to the importance of 'who governs' particular partnership or organization (Schäferhoff et.al 2009:452).

In a similar way to Henriksen and Ponte (2017) mentioned earlier in the paper, Abbott and Snidal (2012:324) theorize the concept of orchestration used by international organizations and explores the different approaches that actors take in order to succeed in their endeavor and the reasons why particular governance actors might rely on this approach. They argue that private standard-setting organizations cannot be fully self-sustained (Abbott and Snidal 2012:324). What is more, in order to function in the transnational arena they need the approval of their credibility from governmental bodies and international organizations (Abbott and Snidal 2012:324). This process becomes possible only through orchestration. They base themselves on extensive literature review as material base.

#### 2.4. Power and ELOs

In the case of credibility of ELOs the concept of power plays a vital role. That is due to the power that both private and non-private ELOs have over the development of standards. Even though the basis of these standards lays in the codes of ISEAL explained earlier, these forms of governance still have the *power* to choose what to extract as beneficial and profitable for them. In order to understand how this process is managed, first it needs to be clarified what the concept of *power* means.

Power is a widely contested concept in the field of IR (Lukes 1974, Keohane and Nye 1977, Arendt 1970, Morgenthau 1948, Waltz 1979, Fuchs 2005,2007). Scholars have tried to give definitions of power but still 'there is no agreement on how to define it, how to conceive it, how to study it or how to measure it' (Lukes 2005:61 in Baldwin 2016:2). Generally, power is a causal and relational concept with a multidimensional character (Lukes 2005:61 in Baldwin 2016:2). In its basis refers to 'A's ability to get B to do something which B would not otherwise do' (Dahl 1957 in Baldwin 2016:12). So far, three types of power have been defined as categorical entities structural, discursive and instrumental (Fuchs 2005,2007). Mainly, the structural category relating to power based on material capabilities has been researched through IR lenses (Morgenthau 1948, Waltz 1979). That is why often the power of private bodies is related to the financial leverage that the business sector has over policy-making due to the navigating role of capital in the global economy.

In the case of the environmental sector there is a similar trend of private *power* exercised over standard-setting procedures. It is often initiated by private for-profit ELOs having questionable objectives when it comes to environmental issues (Schoemaker and Riccio 2016, Ven 2018) It often relates to *gatekeeping* practices where private actors' position of power in a particular hierarchical setting allows them to control and filter access of information and people in this setting (Schoemaker and Riccio 2016, Ven 2018).

For example, in their study in their study Schaltegger and Zvezdov (2015:334) explore whether accountants from the business sector are involved in the management of sustainability information in corporate organizations. They conduct 58 interviews with key corporate representatives and theorize the issue from a power theory perspective (Schaltegger and Zvezdov 2015:334). Their findings suggest that accountants of companies and for-profit organizations are 'partially involved in sustainability accounting practice but mainly exert a *gatekeeping* role between sustainability managers and higher management' (Schaltegger and Zvezdov 2015:334). The insufficiency of this study is that the data might be unreliable since it is based only on the conduct of interviews.

Similarly, Beresford (2015:226) explores the case of gatekeeping in the African National Congress (ANC). He conducts a case study on the organization analyzing it through a mixed method approach (Beresford 2015:226). He conducts interviews with key political representatives, uses qualitative content analysis on relevant documents and implies the method of observation by attending an ANC policy conference (Beresford 2015:226). He argues that gatekeeping in ANC has led to political steering and has undermined its organizational integrity leading to incapacity 'to deliver on its electoral mandate' (Beresford 2015:226). The insufficiency of this research comes from the one case study selection which makes it impossible to be generalized.

In the case of ELOs, the for-profit agencies have the *gatekeeping* power of creating environmental standards that are established according to the particular interest of the business organization (Shen and Shen 2019:1679). As mentioned earlier, even though the basis of the standards is on the ISEAL codes, the usual practice is to be used only particular parts of it. As a consequence, these standards are sold easily to corporations that want to expand their capital by having a green label on their product attracting eco-conscious consumers. This leads to *greenwashing* practices 'which is a mixture of the words 'green' and 'whitewash' meaning to cover up, mask and camouflage' (Bowen and Aragon-Correa 2014:134). It translates into the idea that due to the growing demand for sustainable products from customers firms from the GVCs use corporate social responsibility (CSR) as an instrument to differentiate themselves

on the market. By putting on their products labels such as ‘sustainable’ and ‘eco-conscious’ they create the idea of differentiation from other competitors on the market (Lee et.al 2018:1088). Often, this is a way for firms to hide their non-environmentally practices and appeal to the customer as credible and conscious producers (Lee et.al 2018:1088). This happens usually through advertising campaigns and labeling as it was mentioned already. That results in *greenwashing* marketing which leads to profit for the firms but continuing practice of non-sustainable production leading to environmental damage.

## 2.5. Summary of the Theory and Literature Review

This part of the thesis presented the key debates in the literature relevant to the topic of credibility of ELOs in IR. It firstly started with a brief explanation of the main theory of choice for the paper, Green IR theory. Next, the debate between the two opposing approaches of Holism of Green IR theory and Rationalism of the traditional Neoliberal IR school was presented. In the following literature part, the key debates that were discussed were ‘who governs’ in TEG, eco-labels and their legitimacy in TEG and the role of power in the ELO context. As a result, the main approaches to the issue of credibility of private ELOs are as it follows. Theoretically, Gulbrandsen (2010) and Darnell and Potoski (2017) approach to non-state actors position in TEG is obtained whereas methodologically Ven’s (2019) approach to measuring data is followed.

## 3. Methods

This part of the thesis proceeds with the methodological tools necessary to measure the levels of credibility of ELOs in their role of transnational governmental governors. Methodologically, this thesis obtains the approach of Andonova et.al (2009), Cashore et.al (2004), Gulbrandsen (2010) and Ven (2019) and proceeds with the conduct of a Small-N comparative case study. The data used for investigation was exempted from official documents available on the ELOs webpages on which qualitative content analysis was conducted. Then, the results were measured through Ven’s IBP index (2019).

The structure of this part is as it follows. Firstly, the choice of data is presented. Next, the Small-N comparative study approach is discussed. Finally, the measurement tool IBP index is explained.

### 3.1. Data selection

As mentioned earlier in the paper, the choice of sector for investigation comes from Ven's (2019) classification of the carbon management market as an understudied field in IR. In order to further explore that sector, the two case studies chosen to be investigated were the not-for-profit ELO Verra and the for-profit The Carbon Reduction Institute (CRI). To investigate the differences in the levels of credibility between the two environmental bodies, the thesis acquired information from a variety of sources. In order to find a suitable case for investigation and get informed about the main characteristics and objectives of the ELOs, the Ecolabel index search engine was used (Ecolabel Index 2019).

When it comes to the conduct of the analysis on the two cases of interest, it was selected material useful for qualitative content analysis. The most relevant documents of use were annual reports, archives, project plans and policy agendas published on the webpages of Verra and CRI. Examples of the relevant data sets extracted from there are Verra's Project Database comprising information about all the different projects that Verra monitors, CRI's NoCO2 Standard Plan which clarifies the main objectives of the NoCO2 certification, the Verified Carbon Standard (VCS) Program, etc. Such documents contribute to the research demonstrating the level of standards adherence of certified units and their status of activity. Also, official documents stating rules, requirements and consultancy practices of Verra and CRI were also of use to grasp and clarify the legal side of a standard-setting practice.

Unfortunately, in the CRI case certain documents were available for the wider public. Interestingly however, due to my status of a researcher rather than an interested party wishing to certify its product or company by purchasing CRI's carbon-neutral label, my access was restricted.

### 3.2. Small-N comparative case study

Comparative research is usually conducted on the base of case selection depending on the scope of the study that we are conducting (Halperin and Heath 2017:215). Depending on the type and number of cases that we are interested to analyze, the methodological approach varies. There are three types of comparative research case study, Small-N study and Large-N study. As mentioned earlier, in this thesis the focus is put on the Small-N comparative method. That is due to the fact that it is the most suitable approach for a comparison of two case studies used by most of the scholars mentioned earlier and in particular by Ven (2019).

Small-N comparison is defined by Ljiphart (1971:683) as 'a method of discovering empirical relationships among variables' rather than a simple method of measurement. It is mainly a method for generalizations and not a specialized narrow technique (Ljiphart

1971:683). That is why usually there are only few cases which are chosen to be investigated in Small-N research. The number usually varies between two and a dozen and if more than that number it becomes a Large-N study (Halperin and Heath 2017:218). In addition, the purpose of the Small-N comparison method is either to confirm a theory or to infirm one.

There are two main approaches in Small-N comparative research. Firstly, there is the Most Similar System Design (MSSD) framework. This approach to comparative research allows the research to choose cases which have many similarities but they differ in one or two very important clauses. (Przeworski and Teune 2015:32). MSSD allows the researcher to identify the core difference between two cases despite the fact that they are similar in all of the other aspects (Halperin and Heath 2017:219). The main approach taken is to find the maximum similarities in the two cases and the minimum differences in them (Przeworski and Teune 2015:33). These similar aspects act as the defining features testifying if the variation of the dependent variable of the case has connection with the one difference that has appeared (Halperin and Heath 2017:219).

Secondly, there is the Most Different System Design (MDSD) approach which serves as an opposition to MSSD. Fundamentally, the difference here is that two cases that vary in most aspects are chosen. Their only similarity is in the one variable of interest (Halperin and Heath 2017:221). Furthermore, the question of 'at which level the relevant factors operate' stays throughout the whole research process (Przeworski and Teune 2015:33). In that sense, the selection of cases is based on selecting two very different models which are similar in only one aspect. By using this methodological approach it is possible to clarify if the differences in the chosen variables in the case have connection with the one similarity that has occurred (Halperin and Heath 2017:221).

When it comes to strengths and weaknesses of a certain methodology there are always possible issues that might appear in the research process. For Small-N studies the main issue that might occur is selection bias. The phenomenon refers to the issue of the researcher who while in the process of selecting the cases for investigation actually chooses cases without any variation on the dependent variable (Levy 2007:200). This type of not carefully selected variables might have as a consequence failed results (Halper and Heath 2017:2018). What is more, it can result in weakly-formed arguments.

On the positive side, the Small-N comparative research can contribute largely to the exploration of a variety of cases on a more in-depth level than e.g. quantitative research. That often happens due to the strong focus of the researcher on the concepts that they have chosen to work with (Coppedge 1999:468). This allows for a thick analysis of the concrete

phenomenon of investigation but limits the generalizations of the findings (Coppedge 1999:468). That type of analysis is based on multidimensionality and cannot be ‘reduced to a single indicator without losing parts of the essential meaning’ (Coppedge 1999:468).

Similarly, Small-N analysis lays a base for theory-testing. This usually depends on the choice of cases and taking into account the theoretical perspective that are chosen to look through in order to test that perspective. That happens through the process of monitoring of the similar and different aspects of the chosen cases for investigation and we check ‘if the pattern of observed variations is consistent or not with our theoretical explanations’ (Halperin and Heath 2017:218). In this way it is possible to test the initially formed hypothesis.

### 3.3. Qualitative Content Analysis

Qualitative Content Analysis (QCA) is a research method used in IR since the 1940s and which continues to be a main methodological pillar in the field (Pashakhanlou 2017:447). Its main purpose is to investigate the content that a form of communication consists of (Pashakhanlou 2017:449). By definition, QCA is ‘an approach of empirical, methodological controlled analysis of texts within their context of communication, following content analytical rules and step by step models, without rash quantification’ (Mayring 2000:5).

In general, any material that comprises communication in itself can be investigated. For example, that can be reports, interviews, agendas, plan projects, images, videos, etc. (Pashakhanlou 2017:449). The analysis is conducted through the process of cross-checking the quality of the investigated material through the two main pillars of QCA. First, that is *reliability* which verifies if there is consistency in the presented results every time a measure is being used (Pashakhanlou 2017:449). Second, that is *validity* which refers to the extent to which the used measuring tool has managed to capture the necessary meaning that was supposed to be captured (Pashakhanlou 2017:449). In general, the aim of QCA is to produce the most ‘robust’ results bearing in mind that sources of error might occur (Pashakhanlou 2017:449).

Three factors are the main pillars of QCA that differentiate it from other research methodologies. QCA is firstly descriptive and it often aims to answer ‘what’, ‘how’ and ‘why’ questions (Pashakhanlou 2017:449). That makes it suitable for answering the research question of this thesis which is **what key factors most often explain differences between for-profit and not-for-profit carbon management ELOs TEG**. Secondly, another factor is that communication is largely reduced to specific themes and concepts in order to facilitate the exploration of the data on an in-depth level (Pashakhanlou 2017:449). Thirdly, QCA sticks to

one type of the meaning of the data due to its relation to a particular theory that is being used serving as a ‘compass’ for the meaning.

Finally, QCA has its strength and weaknesses. On the one hand, a positive side is that it is a theory-guided approach which allows for a specific interpretation from a specific perspective of the analyzed data. Moreover, that makes it possible the data to be categorized in different pillars which are used as ‘operational definitions of variables’ (Titscher et al. 2000:58)

On the other hand, for QCA there might appear issues of wider generalization. As it was mentioned earlier, QCA is a theoretically-guided approach which due to which the research obtains a particular perspective for measurement. In that sense, the results from the conducted analysis might appear to be strictly contextual and issues of reliability and validity might arise.

To summarize, QCA is a theory-guided methodological approach in IR, focusing primarily on the meaning of a particular set of data chosen for investigation. The main measuring pillars are validity and reliability and the main questions that it answers are ‘what’ questions. That makes it suitable to be obtained as a methodological approach for the investigation of this thesis research question which is **what key factors most often explain differences between for-profit and not-for-profit carbon management ELOs TEG.**

### 3.4. The IBP index

Following Ven’s (2019) approach to conduct a Small-N comparative research the measurement tool which will be used for that aim is the Index of Best Practice (IBP). The idea of the IBP is to identify the differences in the levels of best practice adherence of the chosen ELOs for investigation. The categories comprising the index are based on the ISEAL Credibility Principles aiming to increase the ‘likelihood that a standards system will achieve its intended positive impacts’ (ISEAL Alliance 2013). In that sense, the results from this finding will show to what extent an eco-labeling agency is committed to being credible as a transnational governmental body (Ven 2019:4).

As Ven (2019:4) argues, IBP as a measurement tool allows the researcher to make a comparison between different ELOs in a variety of sectors. This facilitates the process of investigation of the specific conditional practices that lead to *procedural credibility* explained earlier in the thesis (Ven 2019:5). Generally, *procedural credibility* fosters the opportunity for ELOs to follow best practice guidelines in a credible way in order to successfully accomplish their environmental target. What is more, it suggests the correct ways for conducting eco-

conscious standard-setting procedures and acquiring suitable approach to sustainable development practices (Ven 2019:5).

To acquire the IBP index to measure credibility in eco-labels practices, it is necessary to be acknowledged that the pillars comprising the index are thirty-eight. Simultaneously, each pillar is a subdivision of a category summarizing three to four pillars with similar meanings. The main categories from the index are sustainability, improvement, relevance, rigor, engagement, impartiality, transparency, accessibility, truthfulness and efficiency. Each pillar has its maximum score on the scale from 0 to 10 whereas the subcategories are scaled as it follows: 0-non-compliant, 1-to a certain extent compliant, 2-fully compliant. In order to measure the full IBP score, the total best practice compliance score is divided by the maximum possible best practice compliance score. Then, the results are measured and compared in order to become visible the differences in the levels of adherences of best practices of the ELOs.

The following table acquired from Ven’s (2019:19) book *Beyond greenwash: explaining credibility in transnational eco-labeling* presents the categorical scheme of IBP and the respective pillars that comprise it.

**Table 1.1 IBP Categories and Recommendations in Each Category**

<i>Sustainability</i>	ELO ensures that the environmental objectives of its standards are clearly stated ELO ensures that any claims made by standard users can be fully substantiated
	ELO clearly defines its strategy for achieving its environmental objectives ELO possesses a monitoring and evaluation program that tracks progress toward its environmental objectives
<i>Improvement</i>	ELO ensures that standards are reviewed at regular intervals ELO specifies that certified entities must remain compliant with the most recent version of its standards ELO integrates the results of monitoring and impact evaluations into proposed improvements to its standards
<i>Relevance</i>	ELO allows standards to be adapted for relevant regional, national, or local conditions ELO expresses standard criteria in terms of performance rather than design characteristics ELO involves persons with expertise or first-hand experience in standard development ELO identifies and addresses potential risks inherent in the implementation of its standards

<i>Rigor</i>	<p>ELO ensures standards are clearly written and specific and provides guidance and interpretation documents where appropriate</p> <p>ELO clearly specifies the duration of the certification periods for its standards</p> <p>ELO establishes quantifiable indicators and verifiers that can be used in assessing whether the criteria in its standards are being met</p> <p>ELO specifies that audits are routinely conducted following certification</p> <p>ELO ensures persons evaluating compliance with standards have been well-trained and remain current on standard requirements</p> <p>ELO has a well-documented system of remediation and sanctions if compliance with its standards is not maintained</p> <p>ELO mandates that auditors conduct field site visits where appropriate</p>
<i>Engagement</i>	<p>ELO implements a formal consultation mechanism that facilitates participation of interested parties in standard setting and governance</p>

<i>Impartiality</i>	<p>ELO presents evidence that stakeholder comments were taken into account in standard development</p> <p>ELO has a dispute resolution, complaint, or appeals process in place for certification decisions and standard-setting matters</p> <p>ELO is transparent about governance procedures, including how decisions are made and decision-makers are elected</p> <p>ELO clearly defines “consensus” and ensures that decisions on standards are, where appropriate, consensus-based</p> <p>ELO ensures that it is legally and financially independent from its compliance auditors</p> <p>ELO ensures that financial models and governance decisions are structured to mitigate biases and potential conflicts of interest</p>
<i>Transparency</i>	<p>ELO ensures that all active standards are accessible to the public through its website or otherwise</p> <p>ELO ensures that the names of both certified enterprises and those whose certificates have been withdrawn are publicly available</p> <p>ELO makes the results of audit/assessment reports available to the public</p>

<i>Accessibility</i>	ELO provides meaningful opportunities for disadvantaged stakeholders to participate in standard development and governance ELO bases costs and fees for a standard on program costs and keeps such costs as low as possible to maximize accessibility ELO offers translation services for standard criteria and important documents where appropriate
<i>Truthfulness</i>	ELO legally protects its standards in order to prevent unauthorized use and takes proactive action against fraudulent use ELO ensures that all claims associated with its standards use accurate and precise language ELO takes a holistic view of environmental impact in setting criteria for certification
<i>Efficiency</i>	ELO standards avoid duplicating existing national or international standards in the same issue-area ELO collaborates with other ELOs on standard development where appropriate

IBP Categories (Acquired from Ven 2019:20)

In order to measure the full IBP score, the total best practice compliance score is divided by the maximum possible best practice compliance score. The results are measured and compared in order to see the differences in the levels of adherences of best practices of the ELOs.

$$\frac{\text{Total best practice compliance score}}{\text{Maximum possible best practice compliance score}} = \text{IBP Score}$$

Fig.3 Calculating IBP score (Acquired from Ven 2019:23)

## 4. Results

This part of the paper discusses the findings related to the paper's research question **what key factors most often explain differences between for-profit and not-for-profit carbon management ELOs in transnational environmental governance (TEG)**. Furthermore, it informs about **the relationship between following of best practices and the ownership status of an ELO**.

First and foremost, after conducting a Small-N comparative analysis on the two ELOs of interest the results disconfirmed the Green IR theoretical perspective that states are the only actors aiming to follow their best interest. Instead, it becomes visible from the results of CRI

that organizations like the for-profit ELOs are often used ‘by someone for some purpose’ (Conca 2000:149). This leads to the concluding remark that the issue of credibility of ELOs can be better approached through a Neoliberal IR perspective rather than Green IR perspective. In addition, it confirms my argument that for-profit ELOs *cannot* be regarded as credible governmental tools due to their reductionist approach towards environmental issues making them aim at increase of capital growth at the expense of the environment

The structure of this part of the thesis will proceed as follows. Firstly, background information about Verra and CRI will be presented. This part will give specific details about where, how and who operates the ELOs, what their main environmental objectives and their organizational structure are. Secondly, the results from the measuring tool IBP will be presented. For each category a short overview of its key pillars will be provided followed by a discussion on the ELOs score in each of them. Finally, a summary of the findings will be presented.

#### 4.1. The ELOs

##### *Verra*

Verra is a private not-for-profit certification agency working across both the public and the private sector. It was established in 2005 by business representatives and environmental specialists. The reason for its establishment was ‘the need for greater quality assurance in voluntary carbon markets’ (Verra 2019). It is currently based in Washington DC where the main focus is put on developing new programs and standards for certification, controlling and updating older ones with the aim to reduce the social and environmental degradation (Verra 2019). The organization creates ‘robust, practical and transparent’ standards ensuring that only ‘responsible’ and ‘high-performing’ projects and programs are chosen to be invested in (Verra 2019). Verra has a close relationship with governmental representatives, businesses and civil society organizations and work together on projects aiming to create ‘novel frameworks’ in the sustainability field. In addition, they introduce their skills in ‘standard development and program management from their voluntary carbon market program’ into newly discovered fields (Verra 2019). What is more, there are four pillars of the process of certification at Verra *standard, independent, assessment, accounting methodologies* and *registry* which are also part of the expert review and the stakeholder consultation. The programs they are operating on are Verified Carbo Standard (VCS), Climate,

Community and Biodiversity Standards, Sustainable Development Verified Impact Standard, Jurisdictional and Nested REDD+ (JNR), California Offset Project Registry, Initiative for Climate Action Transparency, Land-Scale, 3R Initiative. Their VCS Program ‘the world’s most widely used voluntary GHG program’ with more than 200 million tons of carbon and other GHG emissions being removed from the atmosphere thanks to close to 1500 VCS certification projects being issued (Verra 2019, VCS Program).

### *CRI*

The Carbon Reduction Institute (CRI) is an Australian for-profit eco-labeling organization which enables business representatives with ‘straight forward, low cost and robust process to eliminate or reduce their CO<sub>2</sub> emissions’ (CRI 2019, About Us). Their target group is mainly corporations and other for-profit organizations from other sector. They have ‘real and effective’ take on the battle with climate change (CRI 2019, About Us). The main goal of the organization is to help both independent participants and business representatives to reduce their CO<sub>2</sub> emissions and mitigate ‘greenhouse gas reduction strategies’. Geographically, CRI is based in Sydney, Australia and is working both on a national and international level. The certificates which they offer are NoCO<sub>2</sub> Certification Standard, LowCO<sub>2</sub> Certification Standard, Carbon Neutral Product Certification Standard, Carbon Neutral Service Certification Standard and Make It Carbon Neutral Certification Standard. For the most part, they offer individuals to calculate their carbon footprint and purchase and pay for their own carbon credits in order to compensate for their use of CO<sub>2</sub> emissions. In addition, they work on three projects on the issue of energy efficiency on a national level in Australia. They also offer Life Cycle Analysis (LCA), carbon footprint audit and carbon offset exchange (CRI 2019, About Us).

## 4.2 The IBP analysis

The following graph shows the result from the conducted IBP analysis. As mentioned earlier, each category has a maximum score on the scale from 0 to 10 and subcategories which are scaled from 0 to 2 varying from non-compliant to fully compliant. In order to measure the full IBP score, the total best practice compliance score is divided by the maximum possible best practice compliance score. The results are measured and compared in order to see the differences in the levels of adherences of best practices of the ELOs.

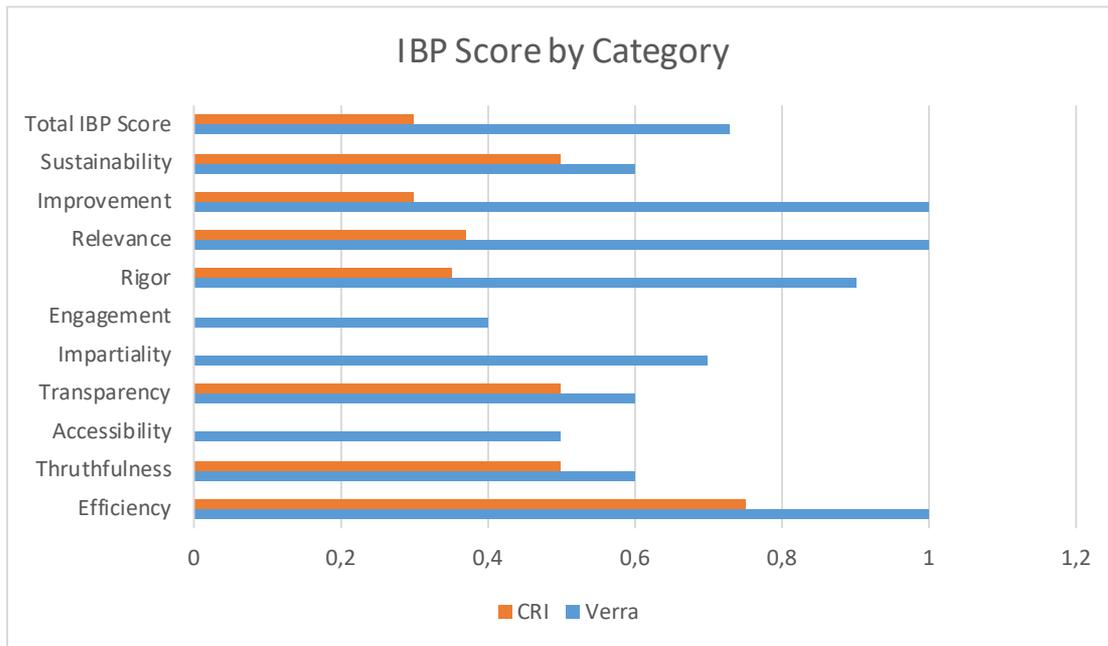


Fig1 Comparison of carbon labeling ELOs on total and category-specific IBP scores (obtained model from Ven 2019:126)

### *Sustainability*

This pillar refers to whether an ELO has clearance on how they define the environmental goals of their standards, owns a clearly defined strategy and has established a monitoring and evaluation program that conducts a follow-up on its progress (Ven 2019:183).

Verra scores high with two points for stating that the work of their Verified Carbon Standard is ‘to ensure the credibility of emission reduction projects’ (Verra 2019, VCS Program). In addition, Verra has created The Project Database which is an online platform storing all the information about the progress of the projects the ELO works with (Verra 2019, Homepage). When it comes to strategy, Verra provides a report defining which are the main environmental objectives of the ELO but it does not indicate a concrete strategy towards their successful implementation (Verra 2019, Homepage). Also, there are no publications on whether any of the certified units has any objections or comments on the standards agendas. Verra’s overall score for sustainability is 0.6.

In a similar way, in this category CRI scores with the same result as Verra. CRI provides a clear statement on what their ‘mission’ as they define it is namely they are aiming to ‘tackle climate change and CO2 emissions in a tangible way’ (CRI 2019, Mission Statement). In

addition, they aim to do that ‘by creating and initiating greenhouse gas reduction strategies and helping businesses and individuals to do the same’ (CRI 2019 Mission Statement).

However, there is no information about the establishment of an actual evaluation program. Furthermore, no information is provided on whether there is a possibility for the users of the certification to make any claims regarding the standards. This relates to the mentioned earlier in the thesis conceptualization of gatekeeping practices. Moreover, it confirms Schoemaker and Riccio (2016) and Ven (2018) argument about the power of corporate agents on the channels of information in the context of policy-making in TEG.

### *Improvement*

This pillar relates to the insurance that there is a regular check on standards and the results from the conducted monitoring and evaluating procedures are present in the proposals for standards improvement. In addition, it focuses on compliance of certified projects and firms with the latest update of a standard (Ven 2019:183).

In this category Verra scores a maximum score of six points. It has particularly focused on the update of the standards and the compliance of the standard users with the new versions for all of their standard projects (Verra 2019 Rules and Requirements). They are also open to suggestions from the wide public in relation to standard-setting. This is visible through the 2019 Public Consultation of the new version of the Verified Carbon Standard (VCS) (Verra 2019 VCS Consultation Roadmap Version 4).

In contrast, in this category CRI scores below average. The ELO states that there is an established monitoring program that follows up on the consistency in the process of CO<sub>2</sub> reduction of certified entities. Despite that, there is no available documentation justifying this statement. In addition, there is no information on how and when the agenda of the standards is reviewed or how any of the results from the monitoring plan are taken into account in order to develop a better standard-setting agenda (CRI 2019 LowCO<sub>2</sub> Standard).

These results confirm Mayer and Philips (2017), Gulbrandsen (2010), Andonova et.al (2009) and Henriksen and Ponte (2017) argument that non-state actor participation in transnational environmental governance can be a beneficial asset to fostering the creation of better and newer environmental policies as it is the case with Verra.

However, in these results is also evident that the inconsistency of CRI's availability of official documents about the process of certification shows *gatekeeping* practices. Again, that confirms the thesis of Schoemaker and Riccio (2016), Ven (2018) and Schaltegger and Zvezdov (2015) about the power of corporate bodies over access of information in TEG.

### *Relevance*

Relevance relates to the rule that only experts on sustainability are participants in the standard development which process should be allowed to happen on all levels including regional, local and national. There should be a focus not on the characteristics of the design criteria of a 'standard but rather on the actual performance' (Ven 2019:183) In addition, the ELO should be able to condemn and inform about the possibility of risks in the process of standard execution (Ven 2019:183).

In this category, Verra scored quite over average. That is mainly due to the fact that the non-profit ELO works on an international, national and local level and has set standards across four continents (Verra 2019, Advisory Groups and Committees). This makes its standards adaptable on every level. In addition, the standard-setting staff has a high-profiled background in the development of standards which for this reason makes the ELO score high in this category. In addition, there is a clear identification on performance risks in the process of standard implementation which also contributes for the high score (Verra 2019 Opportunities).

On the other hand, CRI scored again below average. On the positive side, there is an official statement providing assurance that the CRI standards can be used on every level from local to international (CRI 2019 Mission Statement).

However, when it comes to expertise, the team working for the institute seems to have more professional expertise from the business sector in the field of trading and marketing or have had little former experience in the environmental sector. What is more, none of the staff members have worked with development of standards besides the managing director (CRI 2019 Our Team). In addition, CRI does not identify any potential issues which might occur in the standard-setting process for the certified entities.

These results confirm Green IR's perspective that sustainable growth is a possible phenomenon through cooperation and participation of state and non-state actors in transnational environmental regimes (Eckersley and Christoff 2013, Rittberger and Mayer

Peter 1993, Conca 2000). Furthermore, it allows for the introduction of professional experience from a wide variety of fields which leads to a greater selection of expertise.

However, in the case of CRI it becomes visible from the results that there might be a profit-seeking objective rather than eco-consciousness as a base for standard-development in CRI. That finding confirms the Neo-liberal IR perspective that regimes are created always for someone's interest and purpose' (Eckersley and Christoff 2014:256).

### *Rigor*

ELO provides clear statement declaring with specification what the basis of the standards is and presents the necessary guiding documents for that. Furthermore, the duration of the certification period and the clearly defined quantifiable indicators and verifiers are stated. In addition, there is a provided information on the conduct of audits in timing and has ensured high level of competence of the auditors on the issue of standards compliance and has properly monitored the on-time field visits of the auditors (Ven 2019:183).

Verra scores high in this category by providing sufficient guiding materials on how to create a project which can have the potential to become certified by them. They offer this type of document for all of their standards and offset programs. There is also a very thorough description provided on how and who performs audits on a certified party. In addition, there is a Green House Gas (GHG) emission reduction methodology for quantification which varies according to the project (Verra 2019, Methodologies).

On the contrary, CRI scores again below average here. There is available information on how the process of carbon offsetting standardization is done but there is no guiding material or other type of documentation which can be helpful in relation to the standard agenda. Similarly, there is no information on the expiring date of a standard nor what are the consequences for a certified unit which does not follow the compliance rules. In a similar manner, no information is provided on whether the auditors are professionally experienced in this field and whether there are visits-at-a-place in case it is necessary.

These results confirm Ven (2015), Darnall and Potoski (2017) and Schaferhoff et.al (2009) argument that not-for-profit ELOs are more likely to comply with established best practices than for-profit ELOs. Furthermore, that reflects on the performance of the ELOs on the transnational environmental arena when it comes to their credibility rate. As it is visible

from the case of CRI, again the *gatekeeping* practice is taking ground (Schoemaker and Riccio 2016, Ven 2018 and Schaltegger and Zvezdov 2015).

### *Engagement*

This pillar refers to the access of participants with interest in standard setting to an advisory meeting complemented with a ‘work program’ for each standard which allows them to deliver an ‘outline time frame’ for each participation of a stakeholder. In addition, there needs to be a public review provided together with justification that critiques and other comments of stakeholders are considered. Lastly, there is an established appeals, complaint and dispute resolution scheme for setting standards and approving participants for certification (Ven 2019:183).

In this category, Verra provides sufficient public information on the consultancy aspect of the standard setting process by clarifying the consulting opportunities and providing a public review period. In addition, the latest public review period is from April 2019 which makes it highly up-to-date (Verra 2019, Public Review Call).

However, there is no sufficient information on how different participating parties’ comments have influenced the standard development process in the ELO. Similarly, it is not evident to have an established complain system for the certification process.

In contrast, in this category CRI scores 0 due to the fact that there is no mechanism established aiming at making it possible for all interested units to participate in the process of agenda-setting of standards. In addition, there is no provision of public review period, timeframes for engagement of the different interested units or any evidence that these units have the right to give comments or make complains for the certification process in a formal way.

To a certain extent, these results confirm the Green IR theoretical perspective that the engagement of a variety of stakeholders in transnational environmental regimes makes it possible to work towards sustainable economic growth (Eckersley and Christoff 2013, Rittberger and Mayer Peter 1993, Conca 2000).

However, it is also noticeable that this is only possible in a not-for-profit organizational setting as is the case of Verra. Therefore, here again Green IR fails to acknowledge that even

though a non-state actor participates in an environmental regime creation, that does not necessarily make them obtain a holistic approach towards environmental issues.

### *Impartiality*

This pillar refers to the level of transparency of an ELO in relation to the conducted governance procedures, the decision-making processes happening in it and the election of stakeholders allowed to take decisions about the procedure for standard-setting (Ven 2019:183). Furthermore, there is a straightforward definition for what a ‘consensus’ is for the particular organization and that the decision-making process is based on it. In addition, the ELO is proven not to be dependent in a legal or financial way from its financial auditors and has a clear structure of financial models and governance decisions which are not biased or interest-conflictual (Ven 2019:183).

In this case, Verra get nearly a maximum score again. The ELO has a clearly defined structure of governance and a strictly followed process of decision-making where different stakeholders are participating (Verra 2019 Governance, Bylaws). In addition, it is clearly shown that all the audits are performed by independent units which have no relation of any kind to the ELO. The fact that there are four different independent auditing agencies that conduct regular check-ups on standard users confirms the independency of the ELO from them. Similarly, there is a protocol on conflict of interests stating clearly that there is a particular strategy and established rules towards this type of an issue (Verra 2019, Conflict of Interest Policy).

In contrast, in this category CRI again scores 0. That is due to the unavailability of information on how the decision-making process is done and whether there is a method for handling issues of conflict of interest. Similarly, audits are performed by the CRI’s expert team which makes CRI score 0 on the legal and financial independence aspect from this pillar (CRI 2019, Audit).

In general, Verra’s results confirm Gulbrandsen’s (2010) argument that non-state actors in TEG need the approval of another expertized body in order to confirm the credibility of their standard-setting practices. However, the results of CRI refute that statement showing that a for-profit certification body can exist and conduct their practices without the assessment of other governing bodies.

## *Transparency*

This pillar refers to the level of accessibility of the public to all standards of an ELO which are currently in an active mode. In addition, all names of certified units and those who have lost their certificate license are made public. Similarly, reports on assessment and audit are also publicly available (Ven 2019: 183).

In this pillar Verra scores a bit over average. As mentioned earlier, there is a Project Database established allowing interested parties to follow the progress of the different certified projects. This is database accessible for everyone and it gives a clear map on which standards are active, who is certified and which parties have gotten their certification withdrawn (Verra 2019, VCS Project Data Base). The only insufficiency is that audits are not to be find anywhere and assessment reports are not up-to-date with the last one being from 2017 (Verra 2019, Annual Report 2013).

Similarly, CRI scores average here. On the positive side, there is sufficient information on the standards agenda and also the business units that have been certified (CRI 2019 Partnerships). What is more, they are all currently available online. On the negative side, there is no public information made available on whose certificate has expired or has been withdrawn. Similarly, there are no follow-up, assessment or audit reports made available for the public.

Here, the results are slightly surprising. Both ELOs score with a difference of a 0,1 and around the average scale of the IBP index. This exemplifies gatekeeping not only in the for-profit CRI's practices but also in the not-for-profit Verra's practices. That confirms Gulbrandsen (2010,2014), Cashore et.al (2004), Prno and Slocombe (2012) argument that the the state apparatus is still necessary to be seen as a superior power in TEG in order to conduct and assessment and approval operation of the organizational setting of these types of agencies and in that way diminish cases of gatekeeping practices.

## *Accessibility*

This pillar refers to the equal opportunity for participation in the process of governance and development of standards given to all stakeholders both advantaged and disadvantaged. In addition, to that the financial grant for a standard is kept low in order to be accessible for all of

the interested parties. In relation to that all necessary documents are offered to be translated in the language of the referent if requested (Ven 2019:183).

In this category Verra receives high score on the translation aspect of standard criteria where they provide documentation in English, French and Spanish. Similarly, it is mentioned that there is a possibility for less advantaged stakeholders to apply for certification but there is no clearly defined approach towards that (Verra 2019, Partnerships) However, there is no visible mentioning of the finances needed to be spent in order to get certified.

In this category CRI again scores 0. There is no available information about standard criteria in other languages than English. Similarly, there are no options for certification for entities which are in a disadvantaged position. There is no available info on the costs of a program either.

These results again disconfirm the Green IR theoretical perspective that international environmental regimes in which there is a variety of participating actors would foster eco-consciousness and sustainable economic growth (Eckersley and Christoff 2013, Rittberger and Mayer Peter 1993, Conca 2000). That is due to the fact that as it is shown from the results of CRI only advantaged business sector representatives have the opportunity to engage with certificating procedures.

### *Truthfulness*

This pillar refers to the authority rights of an ELO, the level of legal protection and whether it is taken action to prevent “fraudulent use”. There is a precise explanation on all requests related to the agenda of a standard including having a ‘holistic view’ of the potential consequences for the environment in the context of standard development (Ven 2019:183).

For Verra, there is no sufficient information indicating the protection of authority rights and if there is a specific strategy that they implement to protect their standards. On the other hand, for the other two criteria from the *Truthfulness* category Verra scores at a maximum. It has established clearly defined standard procedures and owns a precise holistic view on the actual environmental impact of their criteria for certification-setting (Verra 2019, What We Do).

In this aspect CRI scores 0,5. They score maximum in the pillar of language precision and accuracy by giving a relatively good explanation of the process of standardization. However, when it comes to setting criteria for standards the view is rather individualistic than holistic regarding the environmental impact of their standards. That is noticeable by them mentioning that ‘there is a good business case for becoming carbon neutral’ and that there is large consumer demand for green products which will foster sales if a business is certified as carbon neutral (CRI 2019, NoCO2 Business Certification).

The results in this category disconfirm the Green IR theoretical perspective on international environmental regimes and instead provide a clear evidence of the Neoliberal IR argument that ‘a regime is always created by someone and for something’ (Keohane 1984:73). In addition, this portrays *greenwashing* practices due to CRI’s business-oriented approach towards the reason for certification being customers demand for green labels (Bowen and Aragon-Correa 2014 in Shen and Shen 2019:1679).

### *Efficiency*

This pillar relates to the necessary consultations and establishment of partnerships with other ELOs on standard development in order not to duplicate already established standards in the same field on a regional, national or international level (Ven 2019:183)

Due to the high-profile of Verra and the partnering initiatives with both the public and the private sector, the ELO has shown particular collaborative skills. On a governmental level Verra has partnered with WWF Landscape Finance Lab, Inter-American Development Bank, Global Agribusiness Alliance, European Investment Bank, etc. That is why there is also low risk of duplication of standards from their side in the context of the carbon reduction market (Verra 2019, Advisory Groups Committees).

CRI scores highest in this category. There is a clear statement that there are no duplications of other international or national standards. This is possible through the mutual collaboration with the World Business Council on standard development and by following for their audits the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (CRI 2019, LowCO2 Certification).

These results confirm Green IR theoretical approach and Gulbrandsen’s (2010) argument that state-based governmental organizations and non-state agencies need to work

together in international environmental regimes. In addition, it is visible that they complement each other in the process of standard-setting and agenda-planning of environmental standards (Eckersley and Christoff 2013, Rittberger and Mayer Peter 1993, Conca 2000).

### 4.3. Summary of the results

It is noticeable that there are large differences between the two cases of investigation. CRI mainly scores below average or average in most categories with the exception of *Efficiency*. What is more, in the categories of engagement and impartiality the for-profit ELO scores 0. Furthermore, *greenwashing* and *gatekeeping* practices are strongly visible in the CRI results. In contrast, Verra scores mainly over average or at a maximum as it is noticeable in the categories of *Improvement and Relevance*. Moreover, the arguments of Gulbrandsen (2010), Cashore et.al (2004), Prno and Slocombe (2012), Darnall and Potoski (2017) about the need of a state approval for conducting credible practices of ELOs also got reaffirmed.

**These results again confirm the argument of this thesis that for-profit ELOs cannot be categorized as credible transnational environmental models of governance. Furthermore, it shows again that the Green IR theoretical approach is insufficient to explain the phenomenon of social agents creating international regimes for their private interest.**

## 5. Concluding remarks and future perspectives

The purpose of this thesis was to explore **the relationship between following of best practices and the ownership status of an ELO** and to answer the research question of **what key factors most often explain differences between for-profit carbon management ELOs and not-for-profit carbon management ELOs in transnational environmental governance (TEG).**

This thesis started with an introductory part providing a brief historical overview followed by the thesis aim, theoretical perspective, methodological approach and thesis argument. Again, it necessary to be mentioned that this thesis argues that **for-profit ELOs cannot be categorized as credible transnational environmental models of governance.** Next, the theory and literature review were presented. Firstly, the main pillars of Green IR theory were introduced and then debunked with the opposing theoretical perspective of Neoliberalism. There the debate between Holism and Rationalism was presented and discussed. Secondly, the literature on TEG was reviewed presenting the debate of ‘who governs?’ in this form of transnational governance. The two sides of the debate were discussed

where the state vs. non-state actor dilemma split scholars from the field. In the next part, brief description of what eco-labels are as functioning organizations was provided. Following that, the debate surrounding the legitimacy and credibility of ELOs in TEG was discussed. In the final section of the theory and literature review part, the scholarship on power and the related to the field concepts of *greenwashing* and *gatekeeping* were presented. The following methodological section started with the data selection for the analysis and continued with methods of Small-N comparison and QCA and an explanation of the IBP index was given. Finally, the results and findings from the study were presented through a table in which each category was discussed thoroughly and theoretically examined.

As it was aforementioned, the results pointed out large differences between the process of standardization in the for-profit CRI organization and the not-for-profit Verra. After conducting the qualitative analysis with the help of the IBP index, visible differences appeared in the levels of credibility between the for-profit CRI and the not-for-profit Verra. CRI's score was quite under the average on the scale in the majority of the categories like *Improvement, Relevance and Rigor*. What is more, the for-profit scored zero in the category of *Engagement, Impartiality and Accessibility*. In contrast, the non-profit Verra scored quite over average in most aspects like *Rigor, Truthfulness, Transparency and Sustainability*. What is more, in the categories of *Improvement, Relevance and Efficiency* Verra scored maximum points. Thus, these results expressed signs of *greenwashing* and *gatekeeping* practices predominantly from the business-sponsored ELO. That led to the reaffirmation of Gulbrandsen (2010), Cashore et.al (2004), Prno and Slocombe (2012) arguments about the need of the state apparatus to monitor, assess and give approval for the functioning of ELOs and the conduct of credible practices behind doors.

Similarly, in many occasions the obtained Green IR theoretical perspective failed to explain many of the occurring results from the analysis showing the imbalance between the conduct of practices of the for-profit and the not-for-profit ELOs. Specifically, the cases of *greenwashing* and *gatekeeping* practices which became evident from some of the results of the CRI. Hence, the conclusion that can be made is that the better theoretical approach to the issue of credibility of ELOs is Neoliberal IR perspective.

Finally, the future research on credibility of ELOs can take on different directions due to the very little research done on that topic in IR. On a theoretical level, one path which can be taken is the issue of credibility of ELOs to be explored from a Neoliberal perspective. Firstly, that will contribute to the debate in TEG about the agency of non-state actors to govern in international environmental regimes. Secondly, obtaining a rationalist perspective on the

issue will point the focus on other issues that have not yet fully progressed on an international level. Another suggestion for future research in IR is for the IBP index to be multiply applied in comparative research cases. This approach will be very useful for the IR field if the research is done on a cross-sectoral base. Especially this will be suitable for a Large-N comparative study. As a suggestion, it will be of interest to be explored the credibility of eco-labeling organizations in the tourism sector and the IT sector.

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