November 2022

Sustainable Fashion Academy and Swedish Textile Initiative for Climate Action (STICA) policy position on:

**European Parliament own initiative report on EU Textile Strategy: An opportunity to deliver a carbon neutral fashion and textile sector by 2050**

The Sustainable Fashion Academy (SFA) and the Swedish Textile Initiative for Climate Action (STICA) warmly welcomed the EU Commission's Strategy for Sustainable and Circular Textiles published in March 2022. Stringent legislation, addressing the underlying drivers for unsustainable practices in the sector and enabling the rapid transformation of the industry, is urgent.

When it comes to climate, we are in a state of emergency. This means industries and companies must respond quickly, adequately and ambitiously. Otherwise, they risk losing their moral and commercial licenses to operate.

The apparel and textile industries are responsible for a significant amount of greenhouse gas emissions. Recent studies estimate that the apparel industry accounts for approximately 2-7% of the share of global emissions, depending on what is included in the scope. Given the anticipated growth of the industry in emerging markets and our need to halve emissions by 2030, it is crucial that the textile industry does its part and more. Delivering a carbon neutral fashion and textiles sector no later than 2050 must therefore become a priority.

Some of the policy initiatives proposed or anticipated by the EU Commission under the Strategy for Sustainable and Circular Textiles will be key in delivering emission reductions (e.g. Eco-design for Sustainable Products Regulation, Corporate Sustainability Due-Diligence Directive). However, to fully decarbonize the industry, further legislative action will be critical. To halve emissions in upstream production by 2030, the industry will need to decarbonize every stage of the process. Achieving a carbon neutral apparel and textiles industry will be dependent on robust and efficient climate legislation.

SFA and STICA therefore call for the Members of the EU parliament to take the opportunity to support sufficient climate legislation, economic incentives and substantial investment support especially for SMEs, to enable the industry to make the shift towards a carbon neutral sector through:

1. Adopting stronger climate policy (targets) requiring companies to reduce emissions aligned with science;
2. Adopting economic incentives to make the needed transition economically viable for brands, retailers and manufacturers in the supply chain;
3. Providing public finance to support the transition and bridge the ‘finance gap’, especially for SMEs.
1. Adopting stronger climate policy is urgent: Companies must be required to reduce emissions aligned with science

Acting on climate change cannot wait until 2050. Urgent action today is key to achieve climate-neutrality by 2050. Today, no legal corporate climate targets exist yet for the textile and apparel sector. Adopting intermediate and long-term climate targets in line with climate science and the Paris Agreement need to be an integral part of the future legislation regulating the sector both covering large undertakings and SMEs.

The EU Corporate Sustainability Due Diligence Directive is an opportunity to regulate such. SFA and STICA welcome the first step in this direction in Article 15 of the European Commission proposal on due diligence requiring a forward-looking climate plan aligned with the Paris Agreement. Nonetheless, we call on MEPs and EU Member states to introduce intermediary targets as well. The need to reduce greenhouse gas emissions (GHGs) from textiles dramatically over the next decade needs to be reflected in the text of the Directive. This is currently a significant omission in the European Commission’s proposal. To limit global warming, a majority of scientists see the urgency to reduce emissions by half by 2030. The European Climate Law has put into law for the EU to reduce emissions by 55% by 2030 (compared to 1990 levels). Companies, including apparel and textile companies, must do their fair share to contribute to this goal, thereby supporting the ambition to limit warming to 1.5°C. Intermediary targets will also ensure that established and new apparel and textile companies integrate climate action into their core business development plans and thus are prepared for and can deliver climate friendly solutions. SFA and STICA recommend introducing an emissions reduction target of 55% by 2030 as mandatory in the Climate Action Plan foreseen in Article 15 of the EU Corporate Sustainability Due Diligence Directive both covering large companies and SMEs.

If not feasible to regulate such under the EU Corporate Sustainability Due Diligence Directive, SFA and STICA strongly call on policy makers to introduce sector specific climate legislation for the textile and apparel sector.

In either case, legislation must include companies’ full value chain to be comprehensive. Emission reduction requirements must therefore cover Scope 1, 2 and 3 emissions. This must be combined with robust reporting and monitoring requirements (e.g. as foreseen in the Corporate Sustainability Reporting Directive).

Studies from WRI, McKinsey and Quantis show that there is general agreement that the majority of the apparel industry’s greenhouse gas emissions are generated in the value chain, especially during fiber and material production, yarn production, preparation of fabrics and dyeing, assembly and transportation within production. The biggest impact in terms of environmental and climate impacts occur during the production phases. If future legislation does not address primary production, we do not address the primary sources and underlying causes preventing sufficient

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1 SFA and STICA require member companies to target absolute reduction of CO2 emissions of 50% with a base year of 2018 (or 4.2% linear reduction until 2030). This is generally equivalent to the EU Climate Law’s targets for 2030.
climate action in the sector. Although important, we cannot rely on recycled materials or circular business models solely to meet climate targets. i.e. clean primary production will be needed in the future to meet the demand of an increasing global population. To more than halve emissions in upstream production by 2030, the industry will need to mainstream circular business models, decarbonize material processing, production and garment production, as well as minimize waste.

2. A strong focus of EU legislation should be to adopt economic incentives to make the needed transition economically viable for brands, retailers and manufacturers in the supply chain.

SMEs will need serious financial incentives to ensure climate action is more profitable than inaction. They need legislation that is simple to implement to effectively reduce their greenhouse gas emissions.

As referenced above, the biggest impact in terms of environmental and climate impacts occur during the production phases. Large parts of textile and garment production take place outside Europe - mostly in Asia. Any successful EU legislation must support companies (both large and SMEs) in their aim to green their supply chains and address their impacts in production countries. SMEs often have small purchase volumes, and face difficulty influencing and supporting their suppliers to transition to and invest in renewable energy, energy efficiency and better dying and water management solutions. There is therefore a need for technical and financial support to help SMEs to collaborate with their suppliers outside the EU in implementing new processes and technologies. The EU could explore measures to assist suppliers in manufacturing countries in accessing finance for such investments. In addition, the EU should lead diplomatic negotiations with supplier countries to ensure affordable renewable energy becomes accessible.

Given the challenges SMEs face in reducing their emissions to net-zero and transitioning to circular business models, SFA and STICA’s single most important policy recommendation is that it must become economically viable for companies to do so and that they can effectively implement what is required. Here are some examples of how EU policy can truly support SMEs in the transition journey:

- Ensure that low-emission alternatives are becoming cost competitive compared to alternatives with a higher carbon footprint. To achieve this, policy makers could explore a beneficial tax for sustainable production, products produced with renewable energy, sustainable fibres, sustainable processes, sustainable transportation, etc. Lower taxes could be adopted for products manufactured with more sustainable material, on redesign, rental and repair.
- Economic incentives to establish a profitable market for high-quality secondary raw materials must be adopted. It needs to be profitable to use secondary raw materials.
- Subsidized options for production within the EU given the high EU labour costs.
- EU investment in textile innovation and recycling technologies for textiles, especially blended textiles to bring down the cost and make them widely available.
- Financial and technical support in production countries to help suppliers transition to renewable energy and more energy efficient processes.

### 3. Public finance to support the transition and bridge the ‘finance gap’ especially for SMEs

Analysis conducted by the Apparel Impact Institute and Fashion For Good in 2021 shows an estimated $1 trillion is required to finance the decarbonisation of the fashion industry by 2050. The financing opportunity is multi-faceted and will require a committed and coordinated effort by brands, manufacturers, philanthropy, government, and industry organisations. Philanthropic and government support are critical for catalysing industry and financial capital.

In many cases, these investments are needed for scaling existing solutions and technologies in production – like solar panels and solar thermal energy. In other words, it is possible to reach the 2030 climate targets with existing technology. These need to urgently be invested in and incentivised at a massive scale. The EU institutions need to take into consideration how the financing and technical support can encourage investments at the scale and pace required.

### About SFA and STICA

The Sustainable Fashion Academy (SFA) is a non-profit organization based in Stockholm, Sweden. SFA's mission is to exponentially accelerate progress to science-based sustainability targets and the global sustainability goals (SDGs) by leveraging the power and influence of the apparel and textiles industries. SFA initiates research and analysis to use for better decision-making, educates change agents, and mobilises key stakeholders around issues needed to transform the industry, including policy, finance and accountability.

SFA founded and coordinates the Swedish Textile Initiative for Climate Action (STICA). STICA's aim is to ensure the Nordic apparel and textiles industry reduces its greenhouse gas emissions in line with what is required to stay within the 1.5°C warming pathway. STICA works directly with company members, which include more than 50 of the Nordic region’s largest brands and retailers. These companies have committed to setting science-informed targets, publicly reporting their progress and collaborating to reduce their emissions. STICA provides support to these companies as they seek to reduce their emissions and transform their businesses. To learn more visit [www.sustainablefashionacademy.org/stica](http://www.sustainablefashionacademy.org/stica).

### Contact details

Michael Schragger, Executive Director SFA, Director STICA  
+46 733 30 90 60  
Michael@sustainablefashionacademy.org
Additional references

Sustainable Fashion Academy (SFA): www.sustainablefashionacademy.org

The Swedish Textile Initiative for Climate Action (STICA): www.sustainablefashionacademy.org/stica


