



THE SCANDINAVIAN  
TEXTILE INITIATIVE  
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# **The Sustainable Fashion Academy (SFA) and The Scandinavian Textile Initiative for Climate Action (STICA) Policy Recommendations for 2024-2029: Prioritising Climate Action in the Textile Industry**

Stockholm | October 2023

## **ABOUT SFA AND STICA**

The Sustainable Fashion Academy (SFA) is a non-profit organisation based in Stockholm, Sweden. SFA's mission is to exponentially accelerate progress towards science-based sustainability targets and the global sustainability goals (SDGs) by leveraging the power and influence of the apparel and textiles industries. To achieve this, SFA initiates research and analysis to inform better decision-making, inspires and educates change agents, and mobilises key stakeholders around issues needed to transform the industry, including policy, finance and accountability. SFA founded and coordinates the Scandinavian Textile Initiative for Climate Action (STICA), a platform for accountability and leadership. STICA's aim is to ensure the Nordic and EU apparel and textiles industry reduce their greenhouse gas emissions in line with what is required to stay within the 1.5°C degree warming pathway, while inspiring the global apparel industry to do the same. [www.sustainablefashionacademy.org](http://www.sustainablefashionacademy.org)

## KEY RECOMMENDATIONS

RECOMMENDATION	ACTION FOR THE NEXT MANDATE
Achieve the Objectives of the EU Green Deal	<ul style="list-style-type: none"> <li>● Finalise and implement ‘Ecodesign for Sustainable Products Regulation’, ‘Green Claims’ and revision of ‘Waste Framework Directive’.</li> <li>● Focus resources on implementing current proposals.</li> <li>● Harmonise and ensure coherence of EU policies.</li> </ul>
Ensure Climate Accountability	<ul style="list-style-type: none"> <li>● Set science-based targets at the company level, covering Scopes 1, 2 and 3.</li> <li>● Hold companies accountable for achieving science-based targets, including associated financial penalties and rewards for non-compliance and/or progress.</li> </ul>
Create Sufficient Financial Rewards for Good Performance & Scaling Circular Business Models	<ul style="list-style-type: none"> <li>● Further support innovation and circular business models to enable scale and ensure that traditional linear models are less profitable and competitive.</li> <li>● Ensure incentives (e.g. tax on virgin material, removal of VAT on re-used goods).</li> </ul>
Support SMEs in Climate Action	<ul style="list-style-type: none"> <li>● Tailor financial support, guidance and incentives.</li> </ul>
Incentivise Climate Innovation at the Pace & Scale Needed	<ul style="list-style-type: none"> <li>● Assist production countries in green energy transition (financial support and incentives)</li> <li>● Investigate and implement legislation and support needed to stimulate significant financial investment in R&amp;D and in the scaling of apparel and textile industry innovations.</li> </ul>



## **ACHIEVE THE OBJECTIVES OF THE EU GREEN DEAL**

In recent years, the European Commission has made significant efforts towards achieving climate neutrality by 2050, primarily through the implementation of the European Green Deal (EGD) and the integration of climate action into EU policy. The SFA deeply values and supports the Green Deal, along with its aim to attain climate neutrality by 2050. Through the EU Green Deal, the European Union has laid the groundwork for its transformation into a modern, resource-efficient, and competitive economy.

Over the past two years, the European Commission has introduced a substantial number of legislative proposals that will significantly affect the textile sector. While the industry requires robust legislative frameworks to adapt to the evolving landscape, it is equally essential that these frameworks are effectively put into practice. This transformation requires time, resources, capacity building, and incentives from both the public and private sectors.

Consequently, we recommend adopting and effectively implementing the proposals and upcoming guidelines that are currently under discussion and delivering on the EU green ambition. Furthermore, EU Member States should allocate sufficient resources to properly enforce EU law.

One of the priority files for SFA and STICA members is the adoption of the Green Claims Directive. This legislation will ensure that the companies cannot make claims that are not substantiated. The policymakers should focus specifically on the aspect of preventing carbon neutral claims while relying solely on offsetting measures, as this could potentially undermine efforts to achieve climate neutrality.

SFA also acknowledges the revision of the Waste Framework Directive to enable sustainable transformation of the textile sector, aligning with the overarching goals of the Green Deal. Currently, the proposal suggests a fee modulation system for producers, based on the ecodesign requirements which will be detailed in the Ecodesign Sustainable Products Regulation (ESPR) at the product level. Policymakers should consider a strategy that encourages producers by modulating fees based on their business models. One of the solutions could be to reward companies that have take-back initiatives, offer repair services and sell second-hand clothes in their stores.

Moreover, SFA and STICA welcome the possibility to have information on the carbon and environmental footprint of products under the Ecodesign Sustainable Products Regulation (ESPR). We also encourage the Commission to set classes of performance on the carbon and environmental footprint of the ESPR. Consumers can then more easily distinguish between products with a lower carbon and environmental footprint from worse-performing products. Subsequently, the delegated acts of ESPR should adopt horizontal ecodesign requirements on footprint for all textile products. Setting carbon and pollution emission requirements only for a limited number of products will not bring the necessary urgent



change. Considering that the process to adopt ESPR delegated acts might take up to two years, and considering the possibility of having a transition period for the application of the ecodesign rules, the only realistic option for having an impact by 2030 is to set carbon and environmental footprint requirements for all products. Different groups of products might have different absolute footprints, depending on the complexity of a product, its weight, etc. Thus it might be challenging to set a single footprint threshold for all textile products. The focus should be on ensuring that the Product Environmental Footprint (PEF) methodology is comprehensive and captures all the necessary information. The European Commission can adopt a single ESPR delegated act where different thresholds are set per product groups. The Commission should for instance ban all products that fall into the worst performing classes of performance of their respective product group.

## **ENSURE CLIMATE ACCOUNTABILITY**

Considering that over 80% of the apparel and fashion industry's emissions originate outside the EU, climate action necessitates a global approach. The EU should leverage its internal policies and investments to influence global developments and employ external tools to propel global climate action.

The European Commission should work on finding a solution on how to define whether a textile company has taken sufficient steps to contribute to climate neutrality. It has to be noted that taking action on climate at a company level is more efficient than on product level, since many companies already assess GHG impacts at company level or have company level targets in place. SFA and STICA believe that all EU textile companies (including brands and retailers) over a certain size (which would include SMEs) should be required to measure and report GHG emissions, otherwise there is a risk that a very significant segment of the industry delays investments in climate action and undermines their future competitiveness. One of the main challenges is how to define sufficient progress on GHG impact reduction in Scopes 1, 2 and 3. Currently, the Science Based Targets Initiative (SBTi) stands as the sole framework capable of harmonising private sector objectives with the critical 1.5°C target. In light of this, The European Commission should align with the SBTi standards for its evaluation, improving upon it if necessary. Furthermore, it is worth noting that the SBTi does not currently mandate small and medium-sized enterprises (SMEs) to disclose or establish targets regarding their Scope 3 emissions. Therefore, it becomes imperative to institute obligatory reporting in this regard, since this is where a majority of company emissions are created.

To ensure compliance with science-based climate targets, a comprehensive enforcement mechanism is essential. Companies failing to meet these targets should be subject to financial penalties. This will not only provide a strong incentive for compliance but also generate funds that can be reinvested in sustainable initiatives. Such a framework will uphold the principles of Climate Accountability, aligning with the EU's commitment to environmental responsibility, while ensuring the competitiveness of the industry.



In this context, we advocate for the European Commission to consider the merits of the proposed New York Fashion Act, a pioneering initiative that mandates high-revenue apparel and footwear companies to meticulously map their supply chains, disclose environmental and social impacts and establish binding targets. This holistic approach encompasses the meticulous reporting of greenhouse gas emissions, energy consumption, water and material utilisation, alongside the promotion of recyclable materials. Above all, it emphasises the crucial alignment with the goals set forth in the Paris Agreement. Companies that fall short of these standards would incur fines amounting to up to 2% of their annual revenues. Europe stands in need of robust legislation that exerts greater pressure on major corporations, pushing them to prioritise sustainability and environmental responsibility.

## **FINANCIAL REWARDS FOR GOOD PERFORMANCE AND CIRCULAR BUSINESS MODELS**

SFA recognises a direct link between textile circularity and the impacts of climate change. Engaging consumers and empowering them to support the transition is crucial. Therefore, circular business models such as second-hand sales, repair, rental should be sufficiently incentivised to ensure their profitability and support their scaling. Today, such models are struggling with the business case and cannot compete with traditional business models, as this is a low-margin sector with high labour costs.

To incentivise companies to transition towards circular business models at the pace and scale needed, policymakers should consider adopting measures such as reducing or eliminating value-added tax (VAT) on second-hand resale, as well as adding tax on virgin fibres. This would not only promote reuse and repair but also foster assessment of the environmental impact of new versus reused products. We firmly believe that such initiatives could find resonance within the recently published Waste Framework Directive proposal. While companies producing sustainable, durable, and circular products can currently benefit from the ecomodulation fee associated with Extended Producer Responsibility (EPR), this primarily promotes changes at the product level. SFA believes that companies should be equally encouraged to adapt their entire business models to align with circular principles. We propose that actions like repair programs, take-back schemes and rental services should also be eligible for eco-modulation of fees, creating a comprehensive incentive structure that drives holistic circularity.



## **PROVIDE TAILORED FINANCIAL SUPPORT AND INCENTIVES**

Realising this ambitious objective requires creating favourable conditions for SMEs which constitute the predominant company size within the European textile industry. SMEs often face challenges due to limited purchase volumes, hindering their influence and support for suppliers transitioning to renewable energy, energy efficiency, and improved dyeing and water management solutions.

Considering the challenges that SMEs encounter on their path to achieving net-zero emissions and transitioning to circular business models, EU policy can authentically bolster SMEs throughout this transformative journey. For instance, SMEs face obstacles in accessing data substantiating the carbon footprint of their supply chains. The acquisition of such data is often a time-consuming and costly task for SMEs. Offering this support is pivotal to the successful implementation of carbon performance requirements for their products and services. Moreover, technical and financial support from the EU is needed for collaboration with suppliers beyond the EU to implement new processes and technologies. The EU could explore measures to assist suppliers in manufacturing countries in accessing finance for such investments. Additionally, the EU should spearhead diplomatic negotiations with supplier nations to ensure accessible renewable energy. Finally, the EU should tailor support to ensure a just transition for the people and communities who will be affected by this green transition.

## **INCENTIVISE CLIMATE INNOVATION AT THE PACE AND SCALE NEEDED**

Recent analysis<sup>1</sup> shows that the apparel industry can reduce a significant amount of emissions by 2030 by implementing existing solutions, such as shifting to renewable energy, scaling more sustainable materials, maximising energy efficiency, and phasing out coal. However, to reduce emissions beyond 2030, significant innovation is still needed and will require financial investment on an unprecedented scale. The EU should therefore investigate what financial instruments are needed to help de-risk investments in the area of R&D and for the scaling of material innovations, processing technologies and new low carbon impact business models. Existing tools and support could be adjusted for the apparel and textiles industry and new legislation that incentivises investment at the pace and scale that is required should be proposed.

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<sup>1</sup> [UNLOCKING THE TRILLION-DOLLAR FASHION DECARBONISATION OPPORTUNITY: Existing and innovative solutions](#)



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## CONCLUSION

The next EU mandate should witness an execution of the European Green Deal, ensuring a fair transition to a low-carbon economy, while placing greater emphasis on enabling industry to align with science-based climate targets. Unfortunately, the current scope of the legislation falls short of what is required. During the next mandate period, we ask the EU Commission to prioritise the task of bridging these gaps by addressing the critical areas highlighted in the paper. Moreover, SFA eagerly anticipates further collaboration with policymakers and the broader value chain to achieve the goals outlined in the EU Green Deal. We believe that engagement of industry stakeholders is pivotal to crafting impactful policies. It is imperative that the framework developed remains pertinent, feasible and capable of driving positive change throughout the entire industry.

To discuss this paper in more detail, please contact **Michael Schragger**, Executive Director of the Sustainable Fashion Academy (SFA) and Director of the Scandinavian Textile Initiative for Climate Action (STICA).

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