

# A CALL TO ACTION FOR A CIRCULAR FASHION SYSTEM



POLICY BRIEF

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### About the Global Fashion Agenda

Global Fashion Agenda is a global leadership forum on fashion sustainability founded in 2016 and anchored around Copenhagen Fashion Summit, the world's principal event on sustainability in fashion for industry decision-makers. Global Fashion Agenda advances a year-round mission to mobilize the international fashion industry to transform the way we produce and consume fashion, for a world beyond next season. In partnership with sustainability pioneering industry leaders including Kering, H&M, Target, Li & Fung and Sustainable Apparel Coalition, Global Fashion Agenda sets the agenda for the industry on the most critical environmental, social and ethical issues, and advocates for a collective industry focus on the largest opportunities. Global Fashion Agenda is a not-for-profit initiative.

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# *INTRODUCTION*

The fashion industry is an engine for global growth and development. Generating €1.5 trillion in 2016, it employs around 60 million people along its value chain.<sup>1</sup> At the same time the industry uses a large amount of resources and has a heavy environmental impact compounded by the industry's continuing growth.<sup>2</sup>

Today's linear "take, make, dispose" economic model relies on large quantities of cheap, easily accessible materials and energy. With the world population expected to exceed 8.5 billion people and global garment production to increase by 63% by 2030, this model is reaching its physical limits.<sup>3</sup> By acting now the fashion industry can lead the transition to a circular system that reuses and recirculates products and materials while offering new opportunities for innovative design, increased customer engagement and for capturing economic value.

A circular system provides opportunities for reducing the demands on material resources and environmental pressures without challenging profitability. Reduced revenue due to lower volumes can be more than offset by the increased value derived from individual garments, through reuse, resale, repair services and eventually the recovery of materials to produce new products.<sup>4</sup> Fashion brands and retailers can acquire a stake in this value by extending their responsibility beyond the point of sale and throughout the continued life of their products.

To this end Global Fashion Agenda (GFA) is calling on fashion brands and retailers to take leadership in this transformation by committing to contributing to and driving an increased circularity of garments and footwear. GFA will take a central role in catalysing the various stakeholders involved in making this happen.

GFA has identified four immediate points of action to accelerate the transition to circular fashion:

- > Implementing design strategies for cyclability
- > Increasing the volume of used garments collected
- > Increasing the volume of used garments resold
- > Increasing the share of garments made from recycled textile fibres

If we are to achieve a circular fashion system a collaborative effort is needed between businesses and government, with regulators taking on a catalysing role by developing incentives and frameworks. The intention of this policy brief is to lay a foundation for this work.

# *THE NEED TO GO BEYOND A LINEAR FASHION SYSTEM*

Today's linear "take, make, dispose" economic model is reaching its physical limits, putting the earth's natural resources under pressure. With current trajectories of production and consumption, these pressures will intensify to the point of threatening industry growth.



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## **CLOTHING AND TEXTILES IS ONE OF THE WORLD'S LARGEST CONSUMER INDUSTRIES**

- > 5% of household expenditure in the EU is, on average, on clothing and footwear.<sup>5</sup>
- > EU citizens purchase more than 9.5 million tonnes of textile products annually, or 19 kg per person. 70% of this is clothing (13 kg per person).<sup>6</sup>
- > Per capita consumption of clothing and footwear in the EU increased in weight by 34% between 1996 and 2012.<sup>7</sup>
- > Global consumption of clothing and footwear is expected to increase by 63% by 2030, from 62 million tonnes today to 102 million in 2030.<sup>8</sup>

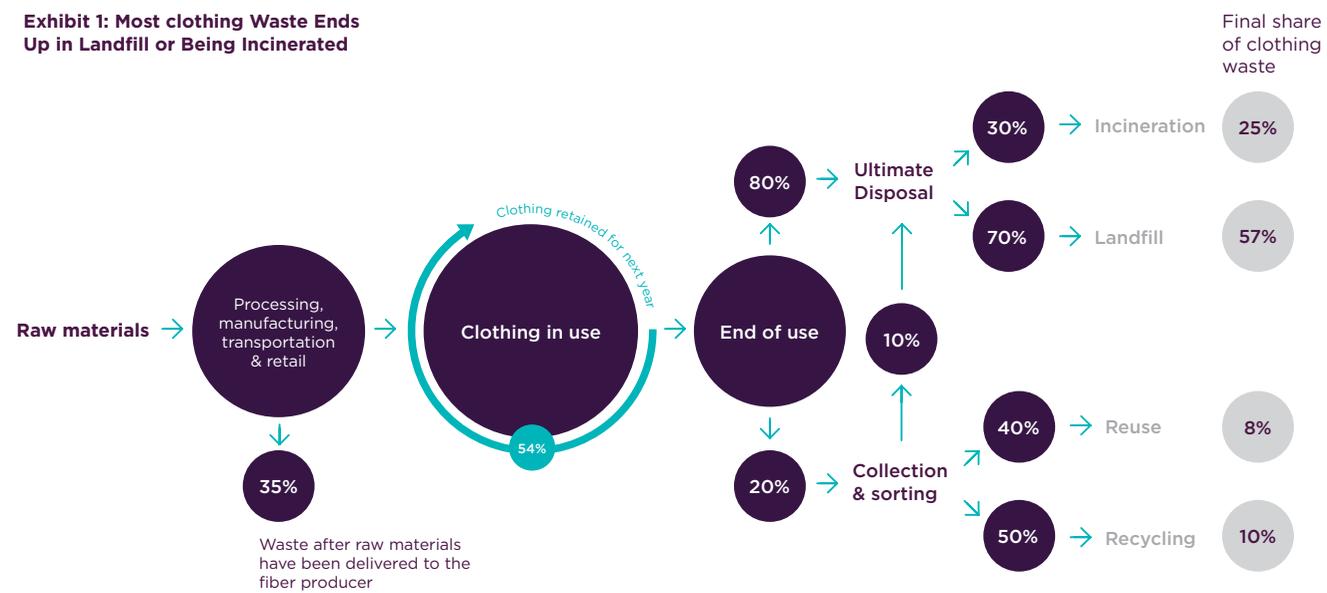
## **GARMENTS ARE RESOURCE-INTENSE TO PRODUCE AND SIGNIFICANTLY IMPACT THE PLANET**

- > 4-6% of the EU's environmental footprint is caused by the consumption of textiles.<sup>9</sup> The footprint for clothing and footwear ranks around fourth, after the three main consumption areas of housing, mobility, and eating and drinking.<sup>10</sup>
- > The footprint is a result of energy, material and chemical use during production, and energy and detergent use during consumer care. The transport and distribution of garments and their end-of-life treatment contribute relatively little.<sup>11</sup>
- > An average kilogram of textiles has a carbon footprint of 15 kg and a 10,000 litre water footprint. The water footprint derives primarily from cotton production, much of which takes place in some of the world's most water-stressed areas.<sup>12</sup>

**SOCIETY IS NOT CAPTURING THE FULL VALUE OF GARMENTS AND THE MATERIALS THEY CONTAIN**

- > Much of the 9.5 million tonnes of textiles that EU citizens purchase each year is discarded, long before it is worn out. Moreover 30% of what hangs in our wardrobes has not been used for at least a year.<sup>13</sup>
- > Well over half of used European textiles still end up in mixed household waste destined for landfill or incineration.<sup>14</sup>
- > Separate collection of used garments varies from close to nothing in some EU member states to 50% or more in frontrunners like the UK, Denmark and Germany.<sup>15</sup>
- > Charities dominate collection, sometimes working in collaboration with local authorities. Recently, fashion brands and retailers have begun in-store collection in partnership with charities and/or third-party service providers.
- > Most of what is collected in the EU finds a new life. Typically at least 40% is sold for re-wear on global markets, with most of the rest down-cycled for use in e.g. insulation, industrial wipes and upholstery filling.<sup>16</sup> (See exhibit 1)
- > Re-wear provides the greatest environmental benefits. Extending the active lifetime of a garment by just nine months reduces carbon, waste and water footprints by around 20-30% each and cuts resource costs by 20%.<sup>17</sup>
- > Recycling is a more sustainable option than incineration<sup>18</sup> and much more sustainable than landfill<sup>19</sup>, which remains the dominant treatment for mixed household waste in Europe.<sup>20</sup>
- > Textile fibre-to-fibre recycling is still limited globally due to technical barriers, low virgin fibre prices combined with high recycling costs, and trade barriers to textile waste.<sup>21</sup>
- > There are currently no EU-level targets for the reuse and recycling of clothing waste.<sup>22</sup>

**Exhibit 1: Most clothing Waste Ends Up in Landfill or Being Incinerated**



Source: Boston Consulting Group and Global Fashion Agenda (2017). Pulse of the Fashion Industry report.



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# THE OPPORTUNITIES IN TRANSITIONING TO A CIRCULAR FASHION SYSTEM

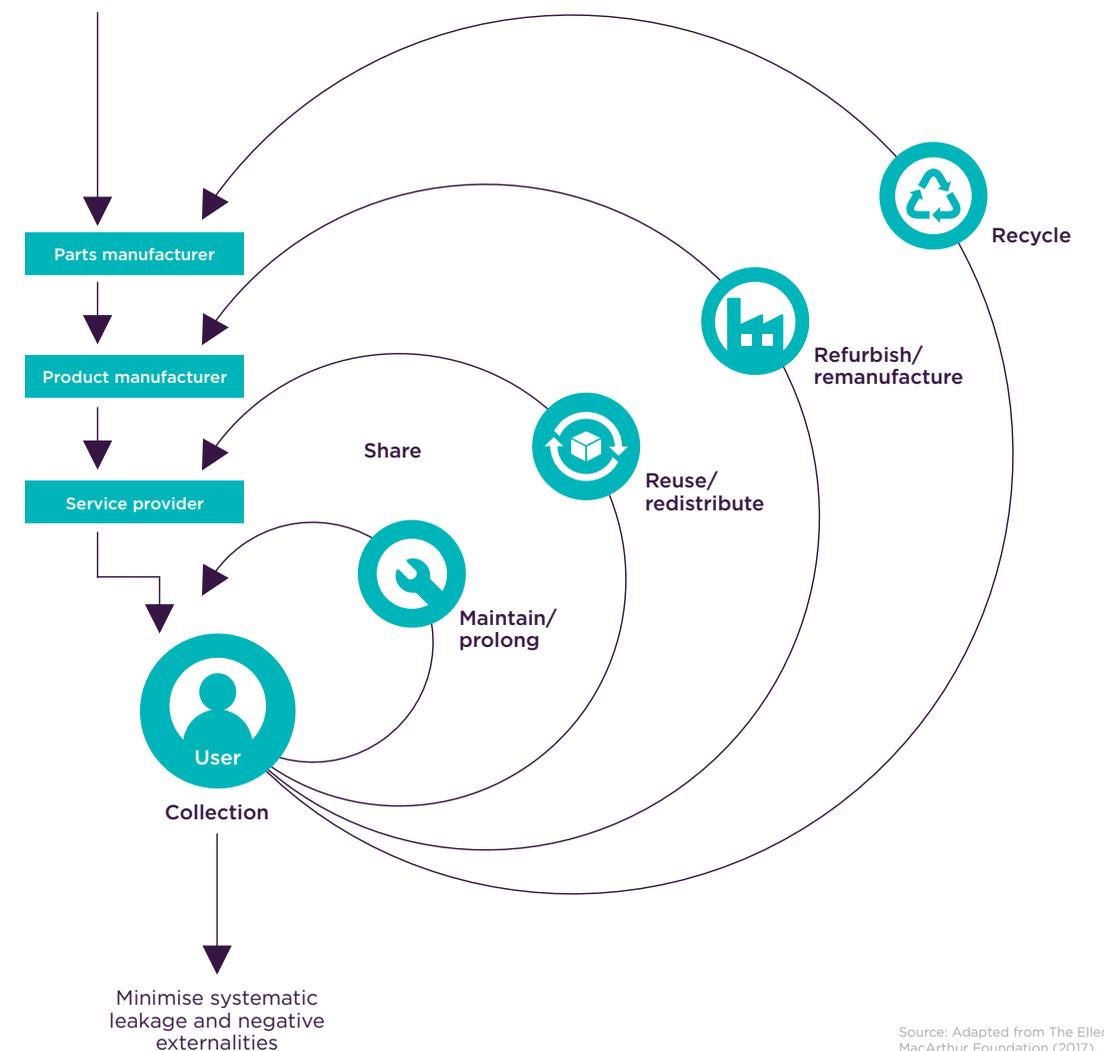
A circular fashion system contains multiple value-creation opportunities. The fashion industry can lead the transition to a circular system while offering new opportunities for innovative design, increased customer engagement and for capturing economic value.



## CAPTURING THE VALUE OF TEXTILE

- > The full value of a product is captured to the greatest extent possible in a circular system. Sharing and recirculating between users extends its active lifetime. It is well-looked after, repaired when it breaks, and when no longer fit for use, the materials it contains are recovered for use in new products. (See exhibit 2)
- > A circular system brings significant environmental savings and at the same time generates value throughout a product's life cycle rather than just at the point of sale.<sup>23 24</sup>

Exhibit 2: Circular System Diagram



Source: Adapted from The Ellen MacArthur Foundation (2017).



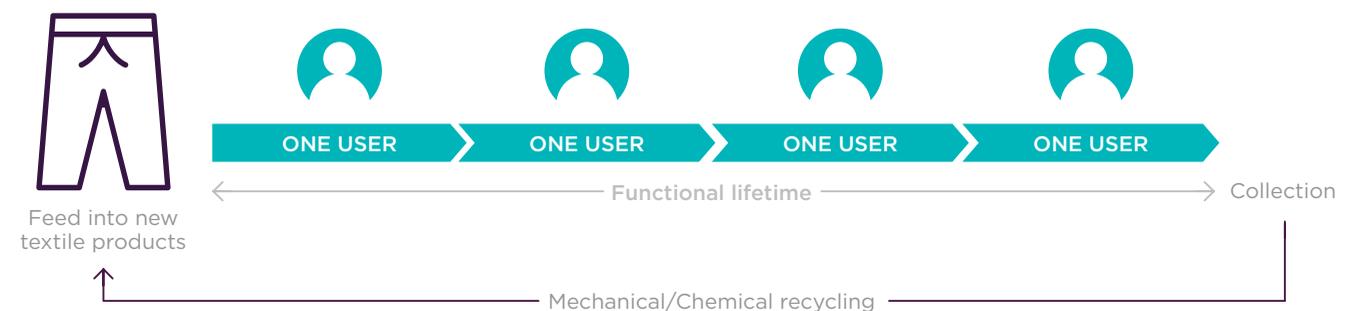
- > The concept is highly applicable to garments and other fashion products. It comprises a shift from garments that are only used by a single consumer and have a long 'idle-time' in a closet before being disposed of in mixed household waste, towards garments which are under continual active use by consecutive users and at the end of functional life are recycled into new garments. (See exhibit 3)
- > In addition to reducing the environmental footprint of clothing and creating new business opportunities, it increases security in the supply of fibres in the face of tomorrow's resource scarcity. Moreover, it can work to catalyse a shift in consumer perceptions of garments from being disposable to being items of value.
- > Increasing the collection rates of used clothing and footwear in Europe and North America to the same level as in the UK would raise €24 billion annually.<sup>25</sup> Renting and sharing business models could raise a further €20 billion.<sup>26</sup>
- > Fully implementing a circular system requires establishment of systems and businesses for e.g. sharing/recirculation, repair and recycling. Equally important, products must be designed to be long-lasting, easily repairable and easily recyclable at end of life to facilitate seamless integration into the system.
- > The fashion and textile industry can play a key role in establishing circular systems and in designing products better suited to them. Brands are also perfectly placed to engage consumers in these systems.

**Exhibit 3: The Shift Towards a Circular System for Textiles**

**Where we are now**



**Where we need to get to**

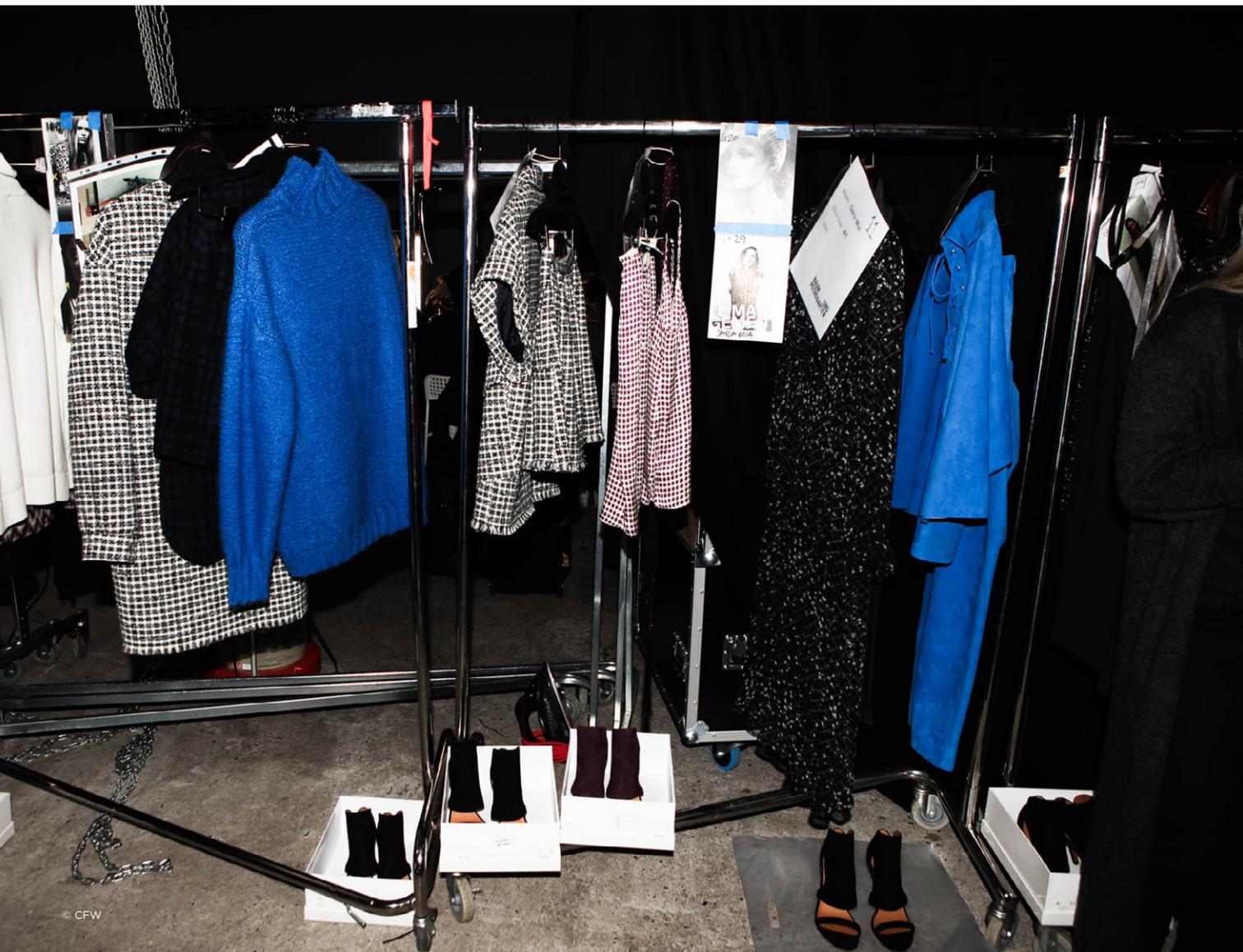


Source: Adapted from David Watson, 2014.

# A CALL TO ACTION FOR BRANDS AND RETAILERS

Starting in May 2017, GFA is calling on fashion brands and retailers to use their influential role in the value chain to take leadership in accelerating the transition to circular fashion. Today a few pioneers are leading the way, but for a circular system to succeed at industry level, collaboration and transparent action are needed. With this call to action GFA wants to push beyond the boundaries of where we stand today and create tangible progress by 2020.

The “Call to action for a circular fashion system” is available at [copenhagendfashionsummit.com/commitment](http://copenhagendfashionsummit.com/commitment).



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# RECOMMENDATIONS FOR POLICYMAKERS

Policymakers at EU and national level have an important role to play in creating the framework conditions necessary to nurture the growth of circular fashion and are called to:

## SUPPORT FASHION BRANDS AND RETAILERS IN IMPLEMENTING DESIGN STRATEGIES FOR CYCLABILITY BY:

- > Introducing criteria for textiles under the EcoDesign Directive that support design for zero waste, durability, ease of repair, reuse and fibre-to-fibre recycling.

## ENCOURAGE AN INCREASE IN THE VOLUME OF USED GARMENTS COLLECTED BY:

- > Adopting ambitious EU-wide quantitative targets for the separate collection of clothing and footwear. This could follow the approach of France which has set consecutive ambitious but achievable targets for collection, reuse and recycling.<sup>27</sup>
- > Seeding voluntary extended producer responsibility (EPR) schemes (see box on page 12) for clothing and footwear, with clearly defined roles and responsibilities for all actors. EPR schemes should build on existing collection activities.
- > Reviewing and clarifying regulations on the classification of discarded textiles as waste to reduce unnecessary disposal of valuable used textiles.
- > Reviewing rules on the legal ownership of discarded textiles to make it easier for fashion brands and retailers to collect and recirculate valuable used textiles.
- > Reviewing and clarifying regulations on cross-border transport of discarded textiles to increase access to markets and decrease uncertainty for collectors and exporters.
- > Investing in infrastructure for sustainable management of used textiles in Europe, including collaborative collection schemes.

## SUPPORT FASHION BRANDS AND RETAILERS IN INCREASING THE VOLUME OF USED GARMENTS RESOLD BY:

- > Incentivising business models for leasing, repair and resale of used clothes for example via VAT reductions for these services, start-up/transition funding for sustainable business models, earmarking of wage subsidies for long-term unemployed etc.<sup>28</sup>

## SUPPORT FASHION BRANDS AND RETAILERS IN INCREASING THE SHARE OF GARMENTS MADE FROM RECYCLED TEXTILE FIBRES BY:

- > Investing in efficient textile recycling technologies. Some EU and national government support has already been provided to recycling innovations such as Textiles-4Textiles, Re:newcell and SIPTex, but more is needed.

# KEY EXISTING INITIATIVES

## Circular economy package

The EU Commission launched a €5.5 billion package in December 2015 to stimulate a transition towards a circular economy. The package opens the door for member states to develop EPR schemes (see below) for products such as textiles. In January 2017 the European Parliament's Environment Committee made proposals for changes, one of which would oblige member states to establish separate collection systems for textile waste by 2020. The proposal, adopted by the European Parliament in March 2017, now awaits negotiations with the European Council.<sup>29</sup>

## Ellen MacArthur Foundation

Several actors in the textile fibre value chain, including some notable industry leaders, are discussing an industry-wide research partnership with the Ellen MacArthur Foundation. The aim is to engender a shift away from today's fragmented initiatives towards a systemic global approach to transition this value chain into a positive spiral of value capture.<sup>30</sup>

## Extended producer responsibility

In an EPR system, producers and importers have responsibility for ensuring post-consumer collection and treatment of their products. EPR systems are commonplace for electronics, packaging and cars, but France is the only EU country to have an EPR for clothing. It is run by a central organisation, EcoTLC, which is collectively financed by producers and importers and includes charities, local authorities and others as registered collectors.<sup>31</sup> The system has significantly increased France's national collection rates for used textiles since its inception in 2008. The Swedish government is currently considering similar proposals.<sup>32</sup>

## Sustainable clothing action plans

A frontrunner, UK Sustainable Clothing Action Plan (UK SCAP)<sup>33</sup> was established in 2008 with a wide range of initiatives to engage industry and consumers in making the lifecycle of garments sustainable. More than 80 retailers, brands and public organisations have pledged to reduce carbon and water footprints and textile waste in landfills by 15% by 2020. UK SCAP has now inspired a European Clothing Action Plan (ECAP)<sup>34</sup> that aims to upscale many of the successful initiatives. Meanwhile the Nordic Council of Ministers (NCM) adopted an action plan, *Well dressed in a clean environment*,<sup>35</sup> in 2015 to develop framework conditions for sustainable design, production and consumption. The action plan led to the initiation of six projects that engage the industry and that can be carried forward long after NCM funding has expired.

## ENDNOTES

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