
FASHION ON
CLIMATE

McKinsey & Company

GFA GLOBAL FASHION AGENDA

GFA & MCKINSEY KNOWLEDGE PARTNERSHIP OBJECTIVE

Jointly make a significant global dent on the path towards fully sustainable fashion and a thriving industry

2020 APPROACH

Focused research on the GHG emissions topic, to develop a fact base on the fashion industry's carbon emissions and future emissions abatement potential

2020 RESULT: FASHION ON CLIMATE REPORT

An research report that triangulates existing data on GHG emissions with primary research and carbon abatement analysis to lay out the actions required for the industry to align with the 1.5-degree pathway in 2030

TERMINOLOGY

ABATEMENT

Abatement refers generally to a lessening, diminution, reduction, or moderation of something.

DECARBONISATION

Reduction or eliminating of carbon emissions produced through the burning of fossil fuels.

CO2 EQUIVALENT

Carbon dioxide equivalent is a way to describe a range of greenhouse gases using a common unit. You apply conversion factors to translate other greenhouse gases – for example, methane – into CO2e so that it represents the same global warming impact as carbon dioxide

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FASHION ON CLIMATE PROVIDES PRACTICAL INSIGHT ON HOW THE INDUSTRY CAN MEET THE PARIS AGREEMENT

A

BASELINING EMISSIONS & CURRENT TRAJECTORY

Baseline current industry GHG impact

Identify key decarbonization levers applicable across the value chain

Model the emissions at current pace of decarbonization by 2030, adjusted for COVID-19 impact

B

FULL ABATEMENT POTENTIAL & SENSITIVITY ANALYSIS

Model the expected GHG emissions of industry, under significant scaling of decarbonization levers

For each lever, evaluate the emissions sensitivity to key assumptions

Stress-test findings with industry experts

C

ABATEMENT COST CURVE & MAKING IT HAPPEN

Understand the economics associated with delivering the modelled decarbonization levers

Identify the potential responsibilities of key stakeholder groups

For full findings, see **Fashion on Climate**

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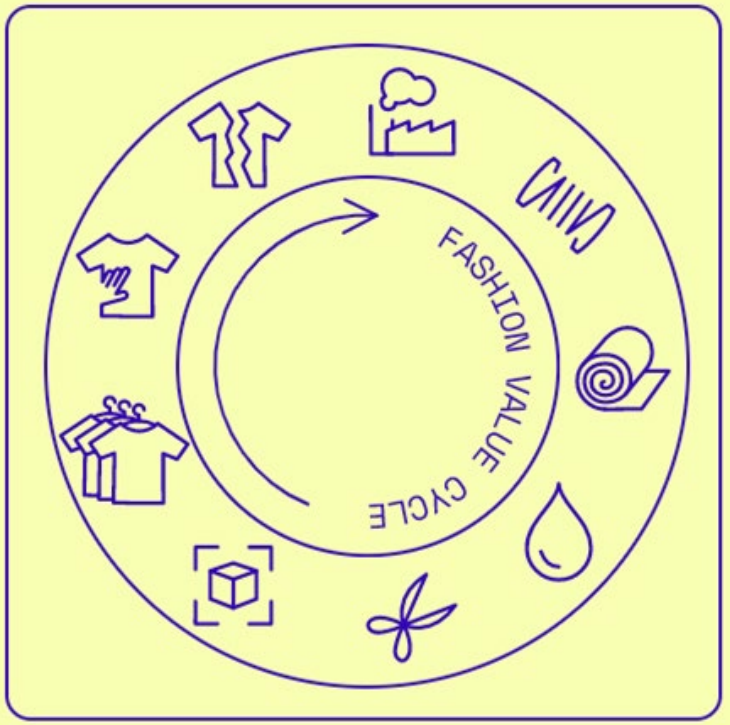
IN 2018 THE FASHION INDUSTRY PRODUCED 2.1 BILLION TONNES CO2EQ

THIS REPRESENTS 4% OF GLOBAL CARBON EMISSIONS – MORE THAN THAT OF FRANCE, GERMANY AND THE UK COMBINED



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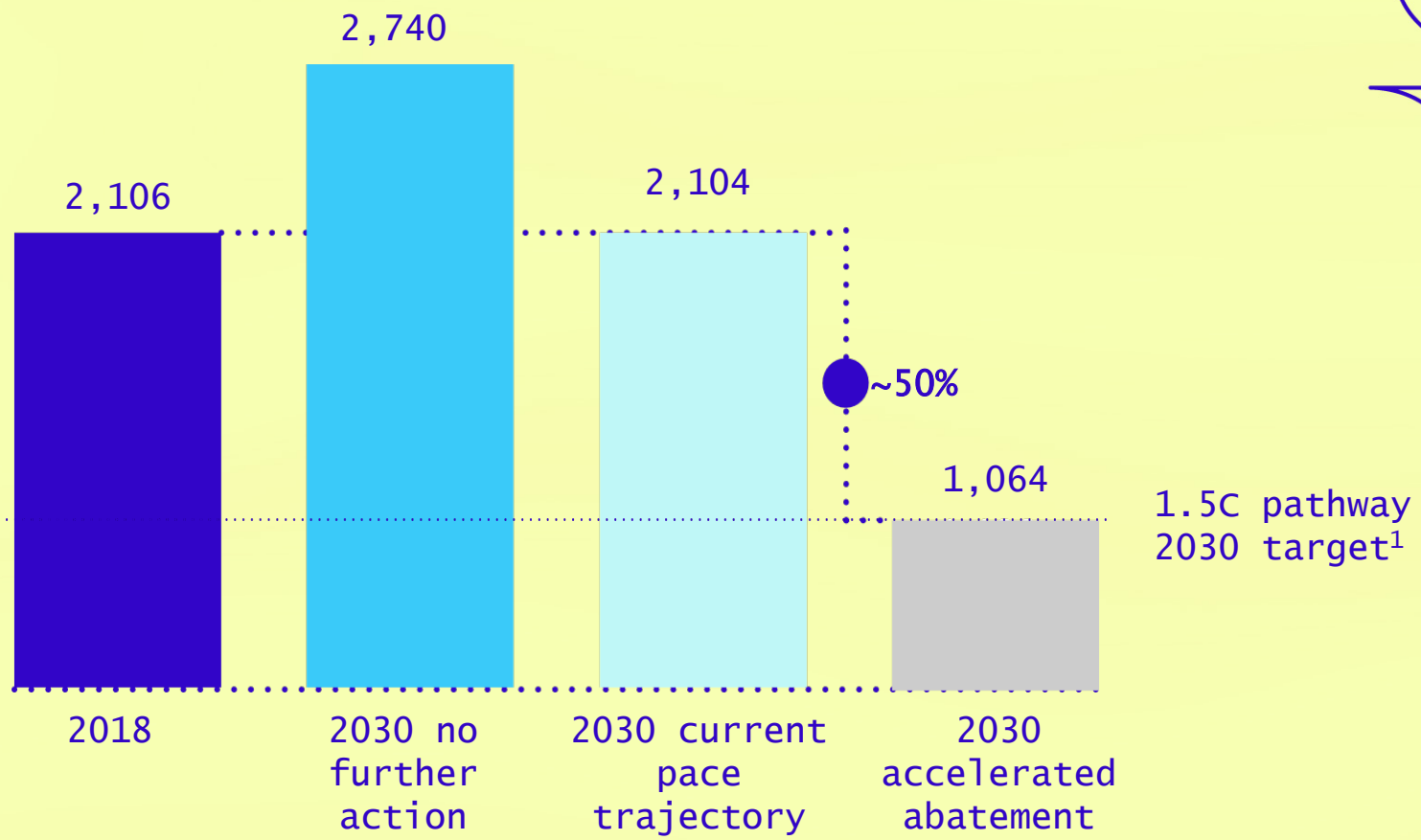
UNDER ITS CURRENT TRAJECTORY, INDUSTRY MISSES THE 1.5OC PATHWAY BY ~50% AND ONLY ABATES EMISSIONS RELATED TO INCREMENTAL GROWTH

TOTAL VALUE CHAIN EMISSIONS UNDER DIFFERENT SCENARIOS
mn tons co2eq



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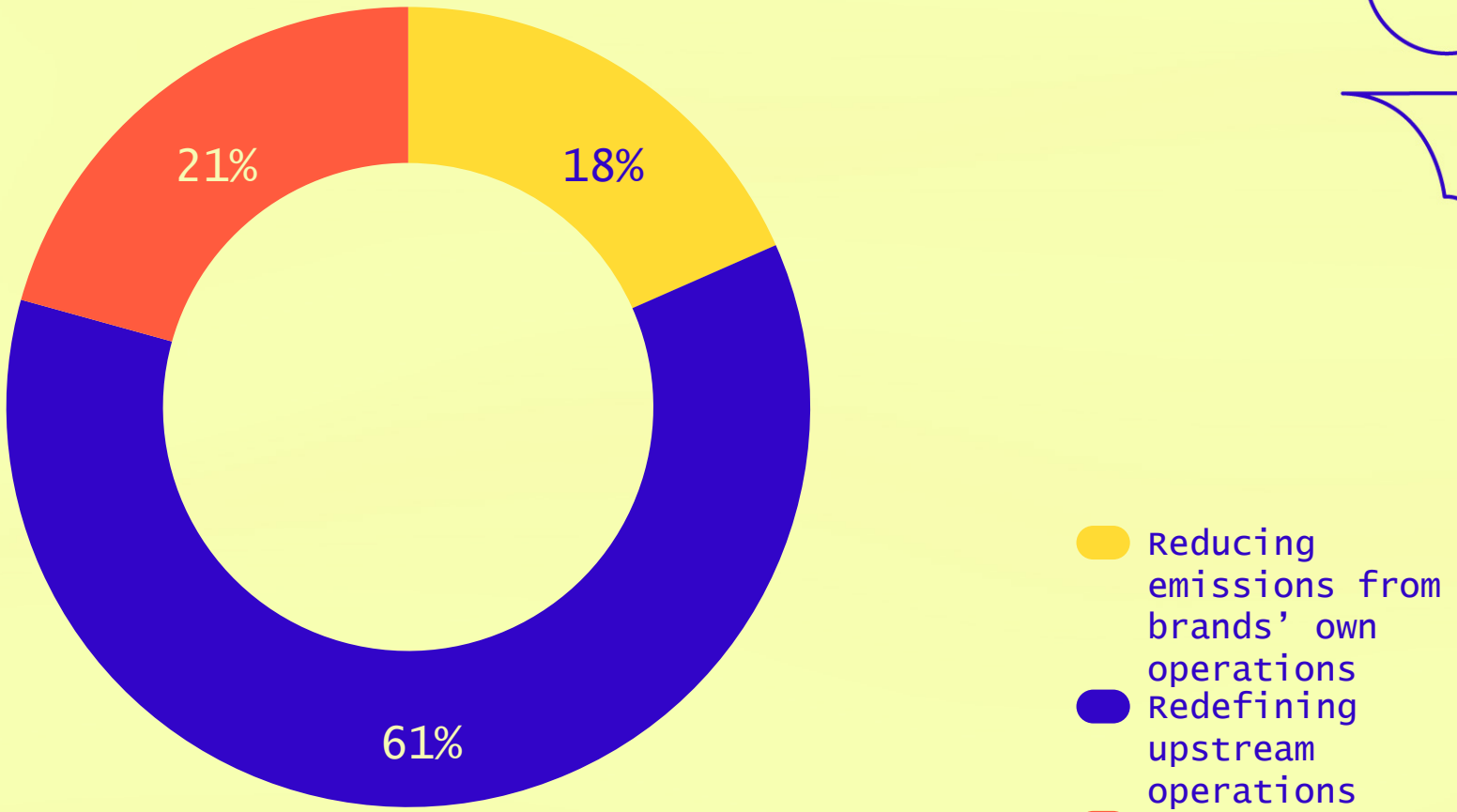
ACCELERATED ABATEMENT POTENTIAL LIES ACROSS THE VALUE CHAIN, WITH THE MAJORITY IN UPSTREAM OPERATIONS

ABATEMENT EMISSIONS BY KEY DRIVERS UNDER ACCELERATED ABATEMENT,
Mn Tons CO_2Eq



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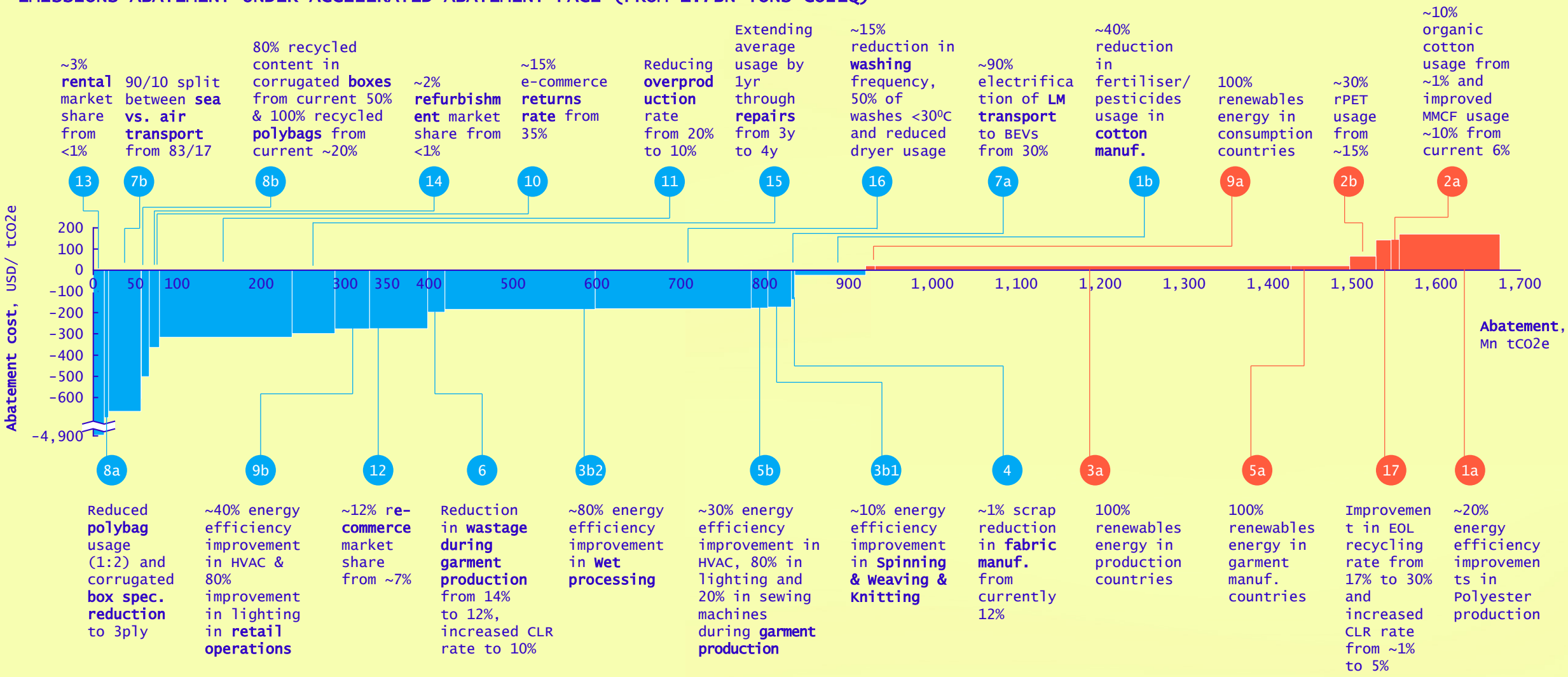
IN TERMS OF ECONOMICS, ~55% OF THE ACCELERATED ABATEMENT COULD BE REALIZED WITH COST SAVING FOR THE INDUSTRY

EMISSIONS ABATEMENT UNDER ACCELERATED ABATEMENT PACE (FROM 1.7BN TONS CO2EQ)



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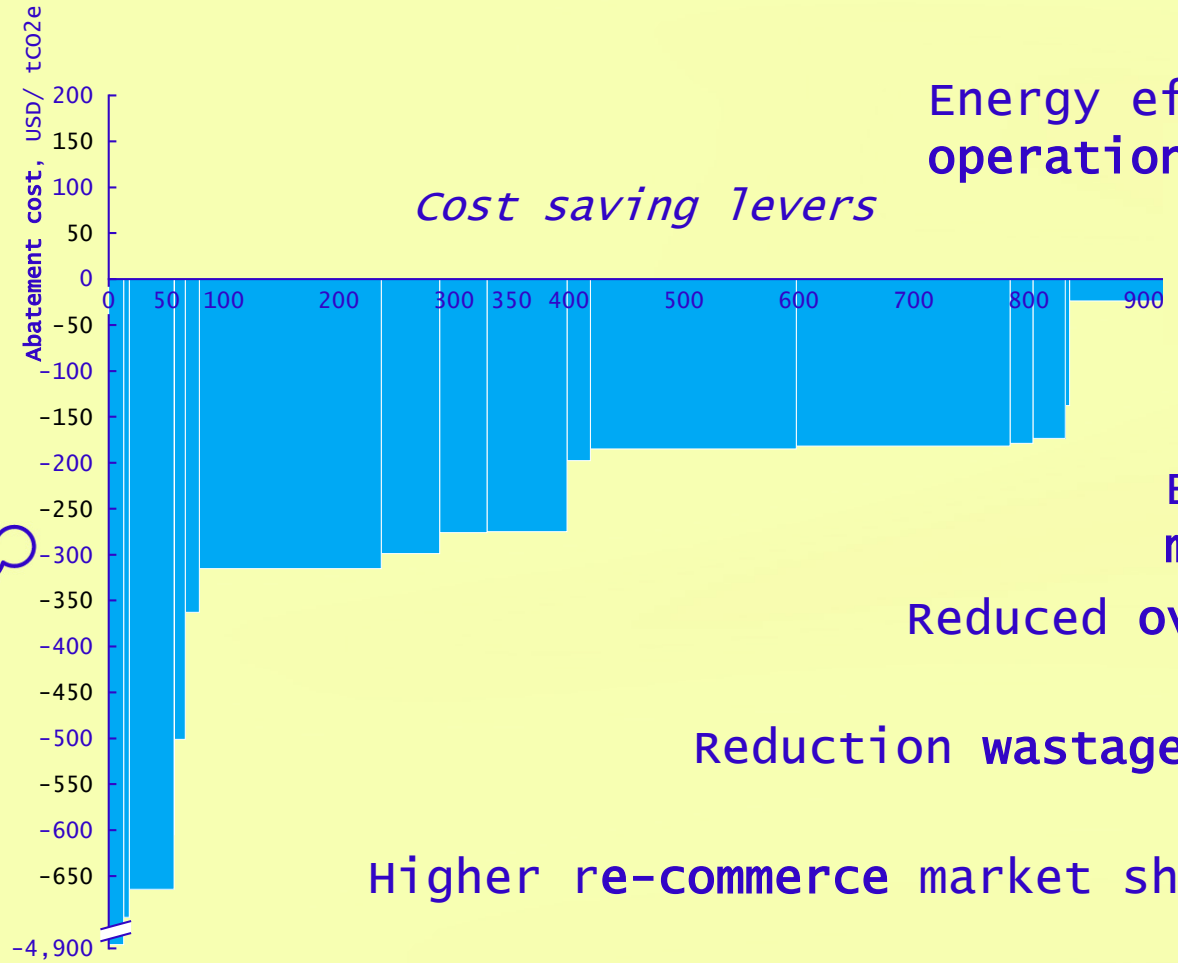
THE FASHION INDUSTRY CARBON ABATEMENT COST CURVE



Cost saving levers

Energy efficiency in **retail operations**

Using **more sea transport,** instead of air

Lower e-commerce **returns rate**

Energy efficiency in **manufacturing**

Reduced **overproduction** and deadstock

Reduction **wastage during garment production**

Higher **re-commerce** market share

Increased **closed-loop recycling for production wastage**

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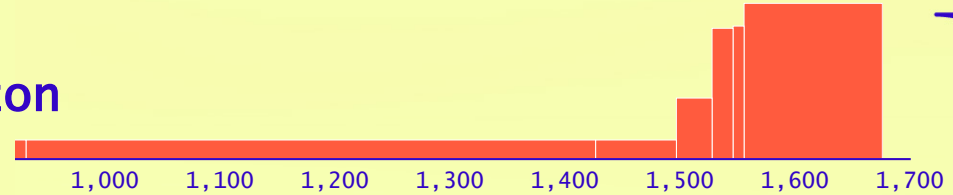
THE FASHION INDUSTRY CARBON ABATEMENT COST CURVE

100% **renewables energy** in all value chain countries

Increased use of **organic cotton**



Levers incurring additional costs

Increased use of **MMCFs**

Doubled **rPET usage**

Increased **end-of-life recycling rate**

Increased **closed-loop recycling at garment end-of-life**

More energy efficiency **polyester production**

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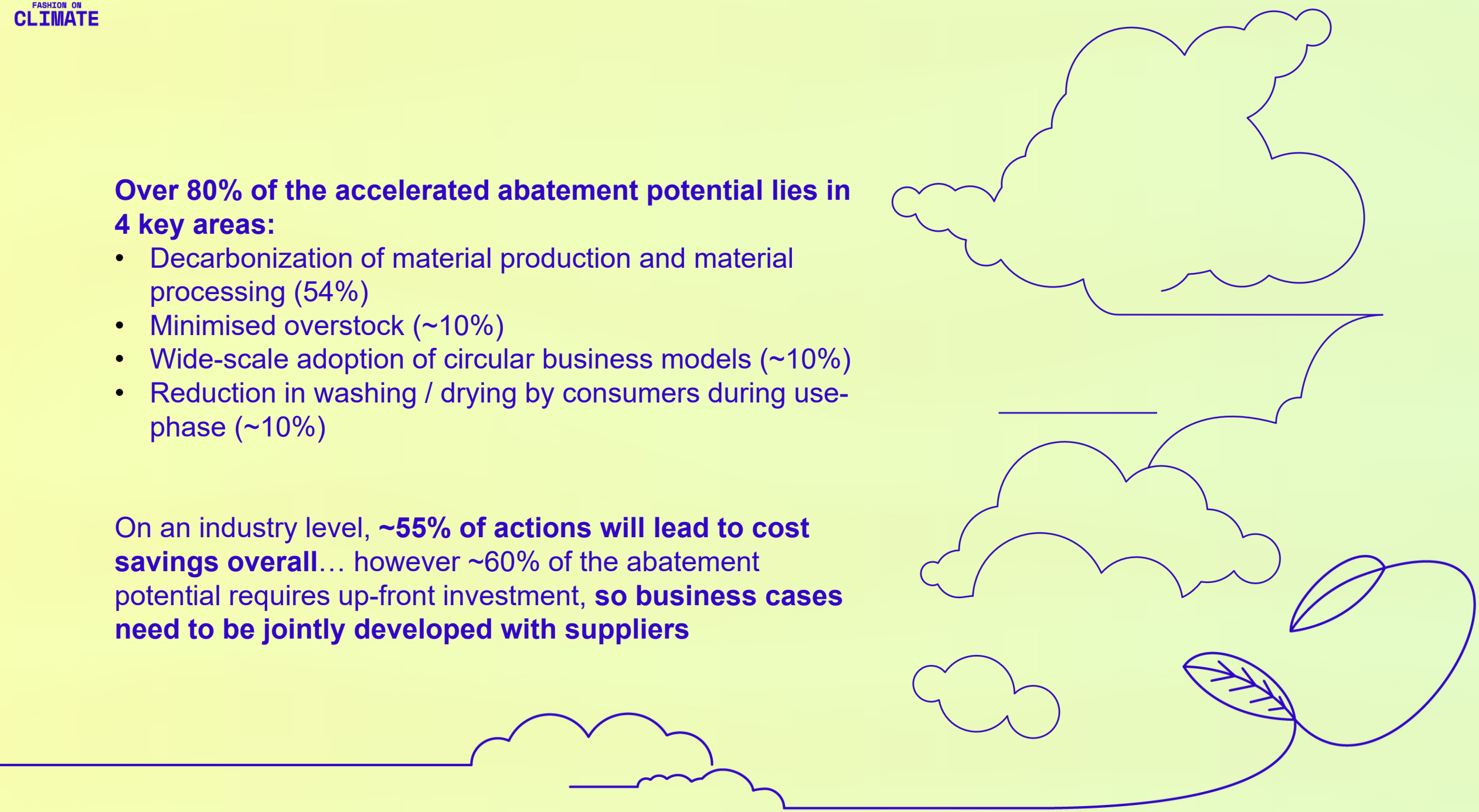
Over 80% of the accelerated abatement potential lies in 4 key areas:

- Decarbonization of material production and material processing (54%)
- Minimised overstock (~10%)
- Wide-scale adoption of circular business models (~10%)
- Reduction in washing / drying by consumers during use-phase (~10%)

On an industry level, **~55% of actions will lead to cost savings overall**… however ~60% of the abatement potential requires up-front investment, **so business cases need to be jointly developed with suppliers**



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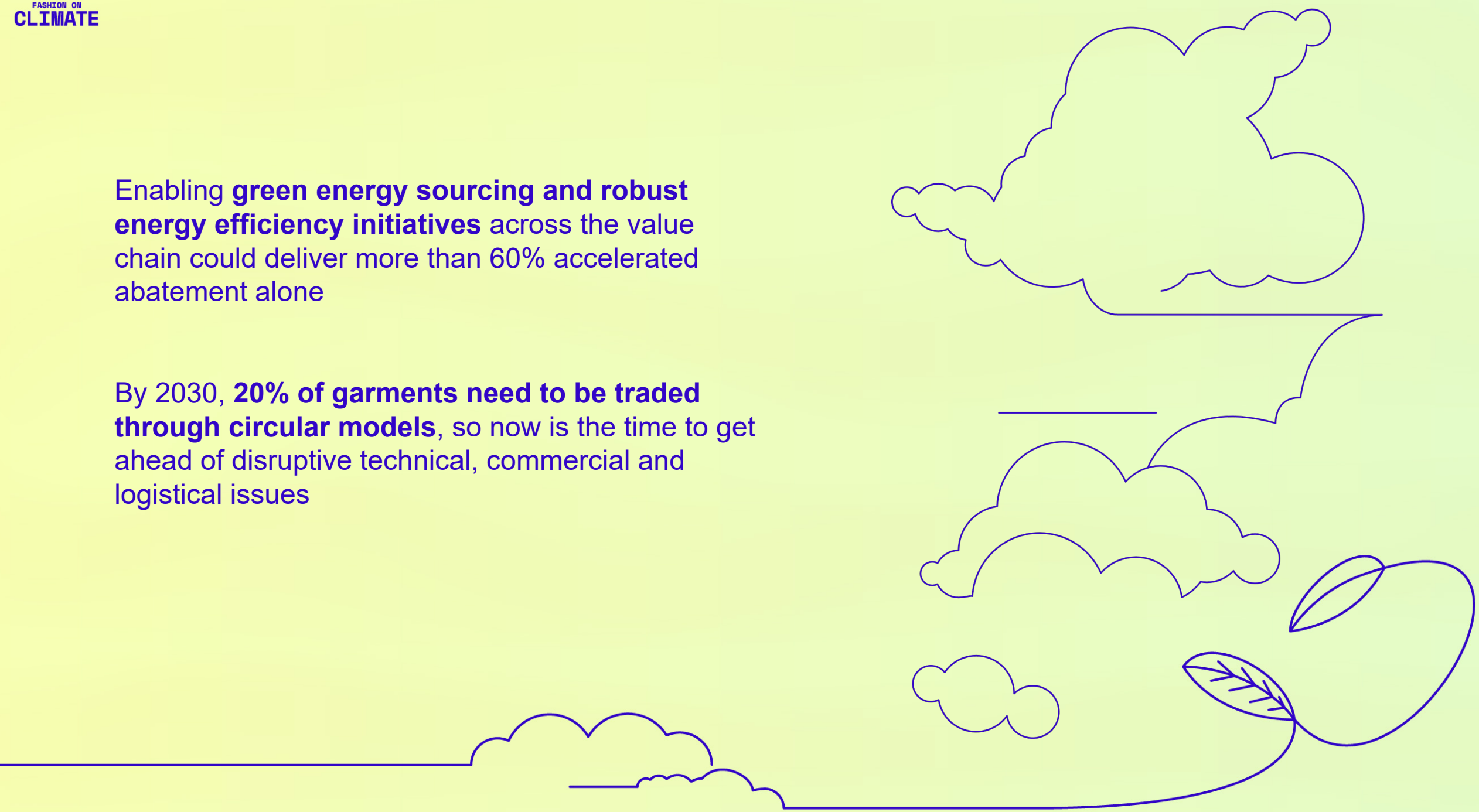
Enabling **green energy sourcing and robust energy efficiency initiatives** across the value chain could deliver more than 60% accelerated abatement alone

By 2030, **20% of garments need to be traded through circular models**, so now is the time to get ahead of disruptive technical, commercial and logistical issues



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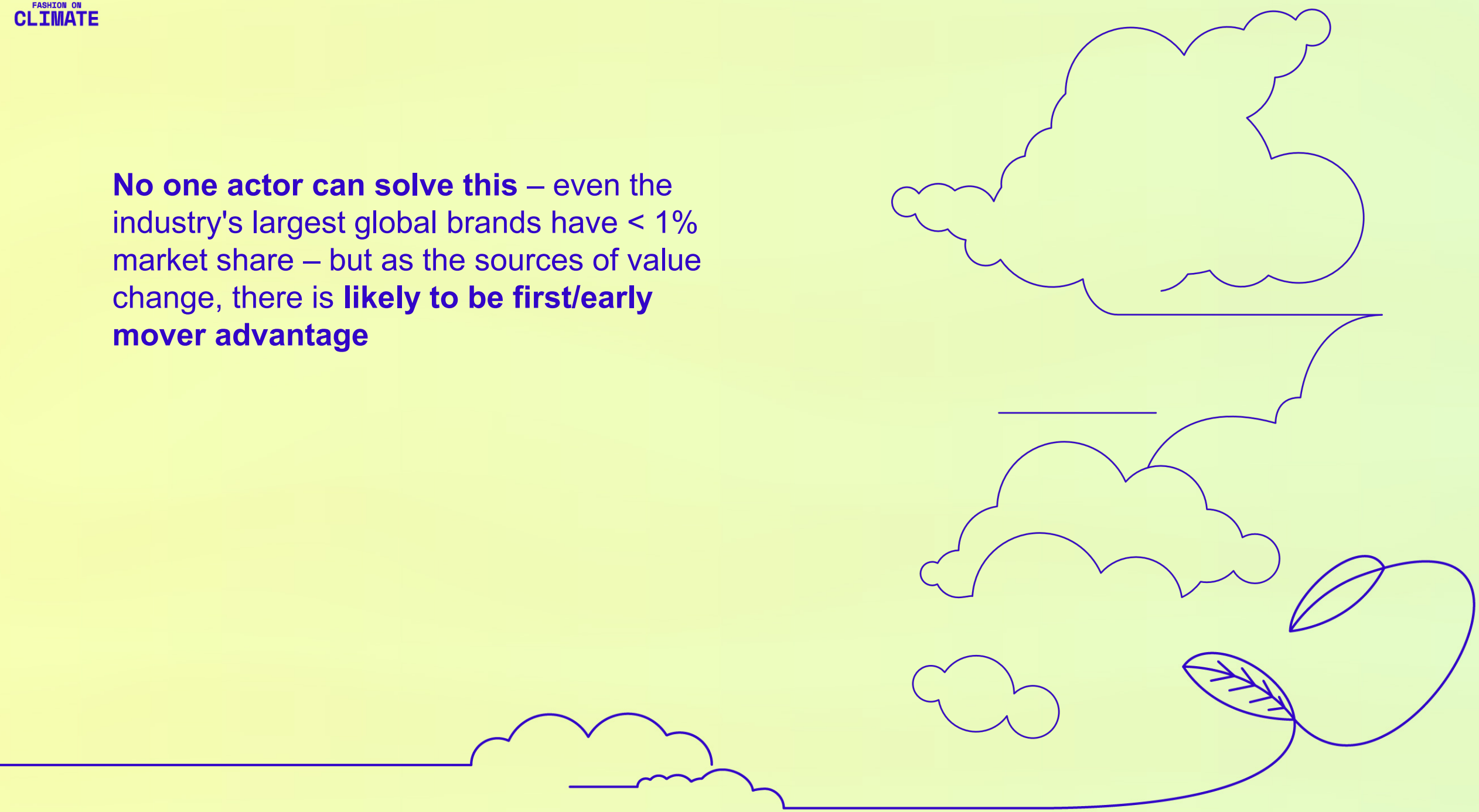
No one actor can solve this – even the industry's largest global brands have < 1% market share – but as the sources of value change, there is **likely to be first/early mover advantage**



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WHAT NEEDS TO HAPPEN NEXT?

Create transparency on starting point

Make energy transitions

Drive decarbonisation upstream

Reduce overstock

Work collectively to ramp up industry efforts

Design, produce and buy circular

…AND BEYOND 2030 … DECOUPLE VOLUME GROWTH FROM VALUE GROWTH TO STAY ON THE 1.5-DEGREE PATHWAY

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THANK YOU

CONTACT DETAILS

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