

APPAREL AND ACCESSORIES

## Fashion industry must cut emissions in half by 2030: McKinsey

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*Reducing emissions across the supply chain is how to help the fashion industry meet the goals set out in the 2015 Paris Climate Agreement.*  
*Image credit: McKinsey & Co.*

By DIANNA DILWORTH

The fashion industry must cut its carbon output in half by 2030 to be sustainable, and the way to achieve this is to reduce operations emissions both upstream and within the brand and to encourage sustainable consumer behaviors.

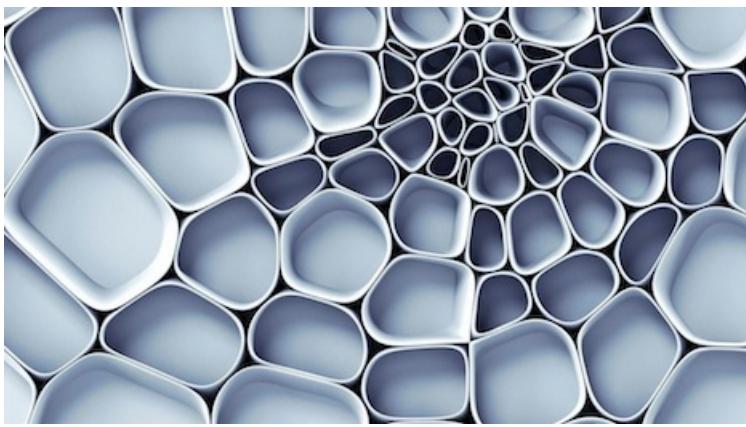
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Fashion makes a large contribution to climate change, but despite efforts to reduce emissions, the industry is still on the path to miss the goals set out in the 2015 Paris Climate Agreement, according to a new report called "Fashion on Climate by the Global Fashion Agenda" by McKinsey & Company.

"It is feasible for the industry to cut its GHG [greenhouse gas] emissions in half by 2030, but it's going to require bold ambition, collaboration and investment," said Anna Granskog, partner at McKinsey, Helsinki.

"For example, 70 percent of current emissions take place in producing and manufacturing garments, and a brand can't make a unilateral decision to cut those emissions without working closely with their suppliers," she said.

"Similarly, while over half of the actions are cost saving for the industry as a whole in the long run, the majority also involve some form of upfront investment and that needs to be allocated across different players."



*McKinsey & Co. is calling on the fashion industry to cut carbon emissions in half by 2030. Image credit: McKinsey & Co.*

#### **Carbon footprint**

The apparel and footwear industry was responsible for producing 2.1 billion tons of CO<sub>2</sub> emissions in 2018, about 4 percent of the global total. Overall, the fashion industry emits as much CO<sub>2</sub> per year as the economies of France, Germany and the United Kingdom combined.

If nothing is done to address the output, the industry's CO<sub>2</sub> emissions are expected to reach 2.7 billion tons a year by 2030, an annual volume growth rate of 2.7 percent. To align with global goals, the industry needs to reduce its annual emissions to about 1.1 billion tons.

"A lot of companies are working hard on decarbonization we are seeing some really exciting changes in the industry, particularly around joint working to understand carbon emissions across the supply chain," said Libbi Lee, associate partner at McKinsey, London.

"However, our analysis indicated that all the current decarbonization work underway already will only mitigate the emissions related to growth in the industry between now and 2030 the industry needs to work harder to actually reduce emissions," she said.

"Essentially, every company needs to do what we see the leading brands already doing: understand its own starting point and sources of emission, and what is going on throughout the industry, to create its own roadmap to reduce emissions. It's both an individual and collective journey."



*Reducing emissions can be financially rewarding. Image credit: McKinsey & Co.*

#### **Worth the investment**

While it will take some work and investment on the front end, there is a payoff both environmentally and financially. About 55 percent of the actions required for accelerated abatement can save the industry money.

"We see a lot of potential for both individual companies and the industry, as a whole, to reduce greenhouse gas emissions and seize the economic benefits of doing so at the same time," said Karl-Hendrik Magnus, Frankfurt-based senior partner and leader of the apparel, fashion and luxury group at McKinsey & Co. in Germany.

"Over half of all levers required to achieve full potential in emissions reduction actually save costs for the industry or the consumers," he said.

About 60 percent of the abatement will require capital upfront in which brands and retailers will need to collaborate

with value chain players. Around 90 percent of the accelerated abatement can be delivered below a cost of around \$50 per ton of CO<sub>2</sub> emissions.

"There are operational and cultural obstacles to reducing carbon emissions in the fashion industry swiftly," Mr. Magnus said. "For example, our analysis indicates that to meet the 1.5-degree pathway by 2030, we need to live in a world where one out of five garments is traded through a circular business model, which in itself would cut about 150 million tonnes of greenhouse gas."

"However, the operational realities of new circular business models are complex and brands need to work out how to innovate around take-back, recycling, refurbishment, rental and re-commerce, which will require investments in automation, infrastructure and marketing among other things," he said.

"Similarly, we see interest from consumers, particularly millennials and Gen Zs, to buy through circular business models, but we also see an intention-action behavior gap that suggests that consumers aren't quite ready to change until the whole industry works together to make it an easier and better experience."

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