

## POTENTIAL HIT COTTON DEMAND FROM EU LEGISLATION

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Cotton merchants are often asked, “What is the market going to do?”. The answer lies in analysing the major supply and demand factors that shape market dynamics and influence price movements. Among these factors, geopolitical issues such as tariffs on raw cotton and textile imports, strategic stockpiling, grower price support programs, and non-tariff trade barriers, including labour practice regulations, play key roles.

More recently, attention has turned to environmental credentials, especially with the European Union (EU) working on legislation to assess the environmental impact of products across their entire lifecycle through the Product Environmental Footprint (PEF).

The Cotton Research and Development Corporation (CRDC) paper *European Union Ecodesign for Sustainable Products Regulation: Summary of inconsistencies and potential deficiencies* highlights the PEF methodology as it stands has notable gaps. It overlooks critical factors like microplastics and plastic waste, fails to fully account for the environmental cost of fossil-fuel-based fibres, the impacts of fast fashion, and does not adequately reflect the positive environmental qualities of natural fibres like cotton, which are renewable, recyclable and biodegradable.

If left unchanged, the outcome will be that manmade fibres are assessed as being more sustainable than natural fibres, with a rating system to appear on the labels of all fashion and textiles across EU – the world’s largest consumer market for these goods. This inevitably will lead to a sharp decline in demand for cotton and other natural fibres, potentially resulting in a global shift towards synthetic fibres as the preferred choice, with far-reaching consequences for the cotton industry worldwide. Ironically, this legislation could have negative environmental impact, rather than addressing environmental concerns as was the initial intention.

The implementation of PEF and the shift towards synthetic fibres, could have severe economic consequences for the global cotton industry and negatively affect thousands of jobs and disrupt rural economies that depend on cotton farming. Cotton cultivation sustains millions of subsistence farmers in developing countries, many of whom rely on it for their livelihood. A drastic decline in cotton demand would threaten their economic stability, potentially deepening poverty.

This issue, however, is not new. Australian Wool Innovation and The Woolmark Company have been at the forefront of lobbying the EU to refine the PEF methodology through their "Make the Label Count" (MTLC) campaign with integral support from Cotton Australia who have been driving this agenda from inception and are MTLC founding Coalition Members. While there is agreement on the importance of measuring the environmental footprint of the fashion and textile industry, the concern lies with ensuring the assessment methodology is fair and accurate.

The goal of the MTLC campaign is to collaborate with the European Commission to improve the PEF methodology before it is implemented in the EU market, ensuring that natural fibres like cotton are not unfairly rated due to incomplete or inaccurate data. Launched in 2021, the MTLC campaign has already influenced some positive changes, including the removal of the PEF from the Commission’s initial proposals. With EU Trialogue (three key institutions—the European Commission, the European Parliament, and the Council of the European Union—negotiate and finalise legislation) discussions resuming in September, the work is far from over.

The MTLC campaign now seeks to expand its influence beyond just the PEF to also address other key EU regulations, including the Waste Framework Directive, the Substantiating Green Claims Directive,

and the Eco-Design for Sustainable Products Regulations. Together, these measures form the EU's Circular Economy Action Plan and its Strategy for Sustainable and Circular Textiles, all part of the broader European Green Deal.

The Fast Fashion lobby, with its deep pockets and strong connections in EU policy circles, poses a significant challenge. As the EU welcomes new members, the advocacy effort will need to adapt to engage these fresh decision-makers. Despite the challenges, there is reason for optimism. Around 60 per cent of EU members are new, with a new negotiations team for the Trialogue – both offering an opportunity to reshape conversations and drive meaningful change. Previous advocacy efforts have laid the groundwork, and now it's time to ensure these discussions filter through to policymakers.

In recent months, MTLC's advocacy efforts have gained the backing of a diverse range of stakeholders, including the International Cotton Association, Bremen Cotton Exchange, Cashmere and Camel Hair Manufacturers Institute, Sistema Moda Italia, Centro Algodonero Nacional, and British Wool. In the USA cotton industry groups are also pursuing their own lobbying initiatives. This growing international coalition strengthens MTLC's position, helping to amplify its message, sustain engagement with EU policymakers, and drive a global media campaign aimed at ensuring natural fibres and cotton are accurately and fairly represented in forthcoming legislation.

ACSA is considering how it might contribute to this campaign as this is the last effort to influence the outcome of the Trialogue and ensure the cotton industry is not negatively impacted by this new legislation. If you are interested in finding out more, please go to [makethelabelcount.org](http://makethelabelcount.org) or reach out to ACSA.

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