



COTTON 2040 MASTERCLASS 2 SUMMARY

Transition and Decarbonisation



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This document presents a summary of the recent masterclass “Transition and Decarbonisation Risk”. The masterclass, the second in a series of six co-hosted by [WTW](#) and [Forum for the Future](#) in October 2022, provided practical guidance on how brands and retailers can proactively manage the transition to Net Zero and the challenges and opportunities of decarbonisation.



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The first part of the masterclass showed why the transition to Net Zero is expected to accelerate, causing **significant shifts of capital towards companies and sectors that are managing their exposure to climate impacts, decarbonising, and planning for and supporting the transition.** Transition risk in cotton production primarily stems from its high carbon intensity, regulatory pressures, and failure to anticipate how markets for cotton-based products are changing. The fashion industry in particular faces growing pushback on green claims, and new regulations including the [EU strategy for sustainable textiles](#) and the [UK’s Green Claims Code](#). Beyond regulation, there are transition risks along the value chain as environmental constraints force shifts in farming patterns, and as new technologies, materials and processes are developed.



ADA KINCZYK

Associate Director, WTW Climate and Resilience Hub

The second part focused on the need for a **fundamental shift in the sector’s approach to supplying consumers.** Over consumption is responsible for the largest share of emissions in the cotton value chain. Brands and retailers should reduce the volume of production by increasing the quality and longevity of their products and encourage their reuse and repair. Working along the value chain they should support efforts that encourage regenerative agriculture, alternative longer-lasting fibres, and consumer engagement and education.

The final part of the session highlighted that **decarbonisation alone is not sufficient,** as it will not address social equity challenges or restore environmental damage that has already been done. The challenge for the fashion sector is to look at its social and environmental impact holistically, not only in terms of emissions but in how it can support approaches that have positive, regenerative impacts on the environment and communities along the value chain.

Key Takeaways

- The apparel and textile industry is vulnerable to transition risk along the value chain due to its high carbon intensity, changing technology and alternative materials, shifting consumer attitudes, regulation, and investor pressures.
- To address climate transition risks and achieve decarbonisation and Net Zero goals, the era of fast fashion must end. Significant opportunity lies in shifting focus on high-quality, long-lasting garments with opportunities to reuse and recycle.

“Reducing emissions quickly enough to limit global warming to well-below 2C is only possible by using energy, land and materials radically better. Despite posing a risk to current business models within the fashion industry, this shift creates an opportunity for growth in markets that didn’t exist before.”

- Ada Kinczyk, Associate Director at WTW