

Managing the Energy Crisis – safeguarding the European textile industry

EURATEX' position

The European textile and clothing industry (T&C industry) represents more than 160.000 companies, generating a turnover of around 160 billion Euros per year, employing 1.5 mln people. Until 2021, energy costs represented 4-5% of the production costs in our sector; to date, these costs represent up to 40% of the sector's cost structure. Faced with the current gas and electricity prices and little alternatives in the short term, the survival of the textile ecosystem is at stake. In the longer run, the achievement of a carbon-neutral, circular economy in a context of an open strategic autonomy in Europe is at stake.

What our sector needs: a wholesale Price Cap for gas, revision of the merit-order principle in the electricity market, support for SMEs, a single European strategy.

In July 20, 2022 the Commission announced proposals on mandatory reductions of energy consumption. National governments have to present their emergency plans by September, further to guidance provided by the Commission. They also have a role to play in alleviating the pressures on gas markets before mandatory cuts need to be implemented.

They should consider the possibilities and the situation of the textile sector carefully. Gas and electricity restrictions and rationing must only be used as a last resort. No mandatory consumption cuts should be foreseen.

In addition to these measures under discussion, we currently observe a proliferation of contradictory, uncoordinated national initiatives to tackle the energy crisis. This has led to a de facto fragmentation of the Single Market, resulting in a chaotic policy and regulatory environment that adds a further strain on our supply chain, which is fully integrated at European level.

Natural gas (and to a limited extent oil) remains the only possible energy source given current technologies. In addition, due to the continuity of the process, a stable and sufficient supply of natural gas is indispensable.

In July 2020 the wholesale price of gas in Europe touched the record-level of 30 €/Mwh. To date, crisis in Ukraine, gas prices reached the level of 320 €/Mwh¹, which represents an increase of nearly 1000% on the previous year. The European textile industry calls for an EU-wide cap on wholesale gas prices at 80€/Mwh. Similarly, electricity prices grew 22 times over the same time period, which is a result of the merit-order principle on the power market. This merit-order principle should be re-examined thoroughly and alternatives should be adopted.

These cost increases are impossible to pass on to customers due to the severe international competition in the market that characterizes our sector. To make a comparison, prices in the US for natural gas are around 10€/Mwh, in Turkey 25€/Mwh and in China 9€/Mwh. This has led to a serious situation in the industry with capacity reductions and production stops.

¹ <https://tradingeconomics.com/commodity/eu-natural-gas>

Closures and the shift of production outside Europe are being forecasted should the current situation persist, leading to further de-industrialization of our continent.

Disruptions in the industry's gas supply would affect the entire logistics of the EU and the availability of essential products. Moreover, they would hamper the recycling of textiles that is currently being built up under the Green Deal. Without a fully integrated European textiles industry, a circular economy for textiles cannot be envisaged in the EU. Indeed, waste textiles collected may not be recycled into new fibres for textiles - and recycling means not only using less resources but also less energy *and fewer CO2 emissions*.

Specific segments of the textile industry are particularly vulnerable:

- The man-made fibres (MMF) industry for instance is an energy intensive sector and a major consumer of natural gas and electricity in the manufacturing of its fibres. Not only is it being affected by higher energy process, it is also experiencing shortages and sharply rising costs of its raw materials. MMF are both petrol-based -though increasingly from recycled or renewable polymers- or made from cellulose or other renewable materials. European MMF lie at the heart of the textile value chain in Europe. The disappearance of European fibre products would have immediate consequences for the European textile industry and for society at large with a dramatic increase of the dependency on imports.
- For the nonwovens segment, production processes - which use both fibres and filaments extruded in situ - are also highly dependent on gas and electricity. Polymers melting and extrusion, fibres carding, web-forming, web-bonding and drying are energy-intensive techniques. Nonwoven materials can be found in many applications crucial to citizens in healthcare (e.g., face masks, surgery, absorbent hygiene products), construction (e.g., air filtration, insulation) or automotive (e.g., batteries).
- It also is to be noted that for some segments the use of gas has no technological substitute: for example, the dyeing and finishing production units make very intense use of gas. These production units are mainly composed by boilers and driers which only work by gas and there is no other technology to substitute it.

It is important to consider this dyeing and finishing production units and the finishing process because all the textile woven products/fabrics need to go through this process, this includes essential fabrics for different technical uses (PPE for workers, medical use, military, etc.) and every-day fabrics for fashion or home textile.

There are hundreds of these kind of facilities across Europe, mainly owned by SMEs. If these facilities were to shut down, the entire textiles production in Europe would be at risk, as these production units are an essential step for the entire textile value chain.

Given the current situation, a scenario where entire segments of the textiles industry, such as MMF, dyeing, finishing will disappear – forced to close their production and unable to re-emerge after the crisis – can no longer be excluded. This would lead to the loss of tens of thousands of European jobs and would further aggravate the dependency of Europe to foreign sources of essential goods. This applies specifically to SMEs who need temporary support measures (e.g. state aids, tax relieves, energy price cap) to survive the current crisis and to prepare for the green transition in the long run.

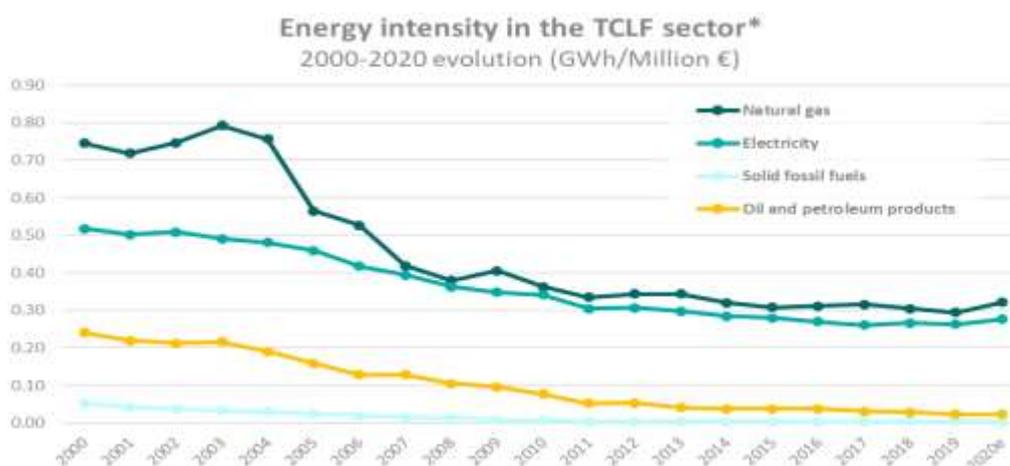
Finally, governments should ensure that critical industries, such as textiles and all its segments, are able to ensure gas contracts towards the end of the year at an affordable price. Stable and predictable energy supply is of the utmost importance.

The EU's ambition to re-industrialise Europe and achieve a carbon-neutral, circular economy in a context of open strategic autonomy in Europe is at stake, and with it the innovation power and quality and niche products where Europe has a competitive edge. This is the most serious challenge that the textiles industry in Europe has faced in generations.

The textile industry in Europe

The industry covers a broad textile supply chain, from fibers to yarn to fabrics and finally to finished textiles and clothing. It produces products which are necessary, beautiful, protecting, energy saving, warming, live saving and much more. Textiles are an indispensable part of our every-day lives, such as in clothing, bed linen or carpets. But they are also essential in protective face masks and hygiene, air and water filters and bags and nets in food packaging. Agro-textiles allow food preservation, geotextiles protect soil from erosion and sun blends from sun radiation. High tenacity fiber reinforced materials are used in light weight construction and in wind blades to produce renewable energy. They also contribute to electromobility through lighter vehicles allowing lower energy consumption and CO2 emissions. Thanks to personal protective equipment, belts and airbags, safety is being ensured and lives are being saved.

Textiles production have seen their energy footprint fall significantly over time, thanks to research into less energy consuming technologies such as CHP. Our genuine support for sustainability and climate-action policies are shown by the many achievements and ongoing efforts: voluntary reduction of the energy-intensity of the sector, investments to build-up more and better recycling, transition to alternative and sustainable chemical substances.



The TCLF sector has decoupled its energy use from the gross value added

* TCLF Sectors: C13-15: Manufacture of **textiles, wearing apparel, leather** and related products

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