

S.No

Economic, Social & Governance FAQ

1. What are the key practices textile exporters must implement now to meet European compliance standards and evolving buyer expectations?

1. Measure the carbon footprint

Begin calculating material-level and process-level emissions of the manufactured products:

- Scope 1: direct factory emissions
- Scope 2: electricity/heat used
- Scope 3: bought materials (fibers, dyes), logistics

Build a basic GHG emissions inventory, since EU importers are already asking for this data.

2. Establish MRV (Measurement, Reporting, Verification) systems

EU CBAM enforcement requires verified emissions data from producers:

- Use recognised standards (ISO 14064, GHG Protocol, etc.)
- Partner with accredited verifiers
- Build traceable records for each supplier and product line

Accurate MRV prepares the Indian exporters for both current EU buyer demands and future regulation expansion.

3. Decarbonise production

Priority areas with the biggest emission reduction potential:

a) Energy

- Replace fossil energy with renewable electricity/biomass
- Improve energy efficiency (lighting, HVAC, process heat)

b) Raw materials

- Source low-carbon fibers (e.g., recycled polyester, organic cotton with lower emissions)
- Optimize dyeing/finishing to reduce energy and chemical use

c) Logistics

- Shift to greener transport (rail, cleaner shipping fuels)

Reducing emissions now can mean commercial advantage and prepare for the future carbon cost regimes.

4. Engage with EU partners and compliance experts

Because CBAM compliance is administered through EU importers:

Work with the EU customers to understand their reporting requirements

2. Why textile exporters need to prepare for CBAM even in the absence of direct sectoral coverage?

a) Supply chain emissions pressure

EU buyers are currently requesting **verified emissions data** from all suppliers, including textiles, relating to all stages of manufacture (fibres, dyes and other inputs).

b) Future coverage of textiles sector

The EU has signalled potential extension of CBAM scope to more products over time (additional sectors and downstream goods).

c) Competitive disadvantage

Textile products with higher embedded carbon could be less competitive compared to low-carbon alternatives, even if not charged a CBAM tariff directly.

d) Export cost impact estimates

Industry assessments suggest that embedded emissions in textiles could translate to a **2 – 9 % cost burden** relative to the FOB value, once carbon pricing Policy applies to textiles sector.

3. Textile Exporters to Europe (directly or supplying to Indian exporters) are bound to comply with EU CBAM provisions, even though a cut-off date for textile sector has not yet been announced. What is the EU CBAM?

The Carbon Border Adjustment Mechanism (CBAM) is a policy of the European Union to ensure that **imported products face a carbon cost similar to goods produced within the EU.**

Under this system, EU importers must:

- **Report the carbon emissions** generated while producing the imported goods and
- **Purchase and submit CBAM certificates** to cover those emissions, similar to how EU manufacturers pay/transact under the EU Emissions Trading System (ETS).
- A **transition phase** started in **October 2023**, during which importers were required **only to report emissions** and **no payment was required.**
- From **1.01.2026**, the **full system is in force** and EU importers will have to **buy CBAM certificates and pay** based on the carbon emissions of the goods.

An advisory for textile exporters is set out in the FAQs to be posted during this week.

4. **The Government of India has implemented Greenhouse Gases (GHG) Emission Intensity Target Rules, 2025 vide its Notification dated 13.01.2026, with the objective of directing reduction of the amount of GHG emitted per unit of production by the industries. Is this applicable to the textile sector?**

YES.

The textile industry in India has been brought under legally binding greenhouse gas (GHG) emission reduction regulations for the first time, but the **direction applies only to the notified individual spinners, processors and fabric manufacturers.** (list of individual units contained in the link given below). Around **173 textile units (by name) nationwide** are included under this compliance framework.

- **Baseline and Reduction:** The intensity measured as tonnes of CO2 equivalent per unit of output will be monitored against a 2023-24 baseline. Targets are set relative to a baseline year of 2023–24, with reduction goals towards 2025–26 and 2026–27.
- **Focus Areas:** Regulations drive the industry towards adopting renewable energy, improving energy efficiency in thermal processes and reducing coal reliance.
- **Compliance Mechanism: Carbon Market / Carbon Credits:** Textile units must either meet their assigned emission intensity targets or acquire and surrender carbon credits under the Indian Carbon Market (ICM) compliance mechanism, linked to the national Carbon Credit Trading Scheme (CCTS).
- **Penalties:** Failure to comply would mandate payment of an environmental compensation (penalty), if targets are not met or if sufficient carbon credit certificates are not submitted.
- **Monitoring - Ministry of Environment, Forest and Climate Change:** Compliance and enforcement are overseen by Authorities such as the Central Pollution Control Board (CPCB) under the Rules implemented under the Environmental Law.

The initiative aligns with India's goal of reaching Net Zero by 2070 and helps the industry meet international sustainability standards.

Notification Link:

<https://drive.google.com/file/d/1axic2cQBSqGsEnm1wGyNszSVSa7hjKZG/view?usp=sharing>