



**INTERNATIONAL
COTTON
ADVISORY
COMMITTEE**

**7th MEETING OF THE
PSAC MERCHANTS COMMITTEE
Wednesday, July 17, 2024
8:00 am, Washington DC**

Minutes

The PSAC members who attended the meeting: Massimo Morpurgo, John King, Atif Dada, Cliff White, Elke Hortmeyer, Peter Wakefield, Eimear McDonagh, Miguel Faus, Mark Messura, Shea Ishee, Joao Paulo Lefevre, Josep Artigas, Salman Ispahani, Christian Barthel, Jerzy Kotwas, Ahmed K. Elbosaty, Zubair Khawaja

Observers/Presenters: Gaurav Agarwal, David Kam

The ICAC Secretariat staff who attended the meeting:
Parkhi Vats, Eric Trachtenberg, Kanwar Usman

Meeting video: https://youtu.be/lrD9_W1KyoQ

Presentation by Gaurav Agarwal, Aditya Birla Group: <https://youtu.be/aoyIylaYAGc>

Presentation by David Kam, Trans Pacific Textile: <https://youtu.be/wBgwUHF5-k>

The Chair started the meeting and reminded the participants about PSAC goals for 2024.

Presentation on the EU regulatory landscape by Eric Trachtenberg

Cliff: You mentioned PSAC not getting involved, however we are talking about these issues. We will come up with a statement to go to the plenary. Does that mean the ICAC has to publish and promote that?

Eric: I would run it by them first, before it goes out, because we are reporting to the EU as our member government. It doesn't mean we can't comment, but we would have to run it by them first and make them comfortable with it.

Parkhi: When we are done with the final statement, we send it out to the standing committee for comments for two weeks, and once it's approved, then it's presented at the plenary meeting so they're aware of it beforehand. Also, we cannot specifically name any country or region in our statements. It should be generic.



Elke: We should also raise the problems that come up with these new recommendations from the European government, which is first of all, a lot of bureaucracy for all the companies, not only the retailers, but also the companies in the supply chain. Our fear is that there's a lot of pressure coming up in the supply chain, and this is being passed on to the weakest at the very beginning of the supply chain. This is already happening. And the third issue with the CSDDD and other pieces of legislation, is that it could lead to some countries being avoided because there are labor issues. This is something that concerns us a lot, and I would suggest that we might talk about this, either today or during the plenary meeting.

Eric: The CSDDD is meant to foster responsible corporate behavior and anchor human rights and environmental considerations. Originally it was for smaller companies, but now it's being phased in. It creates a legal liability for companies related to environmental and human rights violations in their entire supply chain. The fears are well founded, and the issue is real. It was adopted by the EU Council of Ministers on May 24, but it was delayed because I think Germany and Italy were worried about the bureaucracy angle. The question is how deep will the reporting go? We report to international partnerships, and they tend to have a strong lean in favor of international development. They have a natural caring for the smallholder farmers. But we must speak out for the smallholder farmer.

Eimear: The Council has adopted the PEF CRs, and then it goes to trilock. What's the timeline for any organization to challenge that? Do we have six months or two years?

Eric: The parliament is getting itself organized, it'll be a new council. We think that this will start in the fall. Our job is to inform everyone, and we are also trying to be sure that "Make the Label Count" continues. But we don't have a lot of time. For a while it looked like they had taken the PEF CRs out of the green claims, and then on 17th of June it was back. It wasn't made compulsory, so it's still better than before. But it was a setback, because it became 'strongly encouraged'. We went from 'required' to 'not required but strongly encouraged'. There are two approaches, one is to push it back and have it not be 'strongly encouraged', and two is to work within the PEF CR process and make it less bad.

Eimear: When you say, make it less bad, it means we know we don't have a level playing field between man-made fiber and natural fibers. It's my understanding that there is no reasonable life cycle assessment being looked at in the man-made fiber section. Over and above, what's currently been identified?

Eric: If you look at LCA, ISO says you're not supposed to use that to compare different kinds of products. From this angle, what's going on is not consistent with ISO standards. There is also an issue with agriculture versus mine products. The regulators see the issue. So, the question is, how can we make them at least give us a level playing field? There is also a question of



determining what goes into the PEP. There has been a concern raised about the composition of the technical Secretariat, that a lot of synthetic interests are overrepresented there. You must pay to be a voting member, which is an issue. The PEF is partially built around the Higg index, which is an issue. And there's a lot of other issues, like data quality, recycled PET, fast fashion, data transparency, the question of biodegradability.

Presentation by Gaurav Agarwal, Aditya Birla Group

Cliff: Are the products you produce 100% traceable back to the origin? Can you trace your product all the way back to where it was produced, right?

Gaurav: The value chain of MMCF has three different segments. First, it is the wood coming from sustainable forest. Primarily we use FSC certified wood and one of the major advantages of FSC is traceability. It comes from only FSC certified forest, and then it goes through a chain of custody certification. The wood goes to a pulp manufacturer, a special pulp used for making MMCF and called dissolving great pulp. The content of pure cellulose, or the Alpha cellulose, is very high in this dissolving grade pulp. Then this pulp comes to us, and then it is converted to fiber. Because of wood being the key raw material associated with the forest, a complete traceability is very important in this industry. FSC is one of those chain of custody certifications that gives us that confidence and complete traceability.

Cliff: You talked about audit fatigue, and obviously, there's a significant amount of auditing to the whole procedure. How do you get around that? It comes with an associated significant cost.

Gaurav: Yes, but it is more about reputation than cost. It is a clear policy not to source any kind of illegal wood. We must maintain traceability of wood coming to our factories. Complete traceability is required. FSC is like an organized kind of non-profit organization, FSC makes standards, and there are certain certification bodies who based on those FSC standards audit the entire process.

There are two parts of it: first is forestry management certification. The forest must get certified, and there are certain principles and criteria for a forest to get the FSC management certificate. Then when that wood comes out from the forest, there is a chain of custody, which is called as FSC COC certificate, which must be maintained. When the wood moves to a pulp manufacturer, they must keep a complete accounting of the. And similarly, once it is getting invoiced to the fiber manufacturing or the MMCF producers, they also must get certified for FSC COC chain of custody certificate, that's why there's a complete traceability of wood from where it is coming.

Eimear: Within the FSC certification, are the forests existing forests, or are they plantations?



Gaurav: Per FSC requirement, the plantations are not allowed. It must be forest.

Eimear: Does the EU regulation around deforestation affect the production? Is that something you're concerned about?

Gaurav: Per the EU deforestation regulation, we need to maintain the complete traceability of wood along with the new locations of the forest. FSC has this facility. And they are starting some program on this. So, with FSC certificate is not a problem.

Peter: You have done a lot of work in your traceability systems. What was the catalyst that got you started on this? Was it purely for reputational risk, was it legislation, or was there something else that got you started on this road?

Gaurav: There is still no legislation in India. We are based in India, and there is no such legislation that you must prove traceability. It is more from the deforestation point of view, and something that we perceived as a challenge. This is a very strategic move to have this kind of traceability for the entire production chain or the value chain. And of course, reputational risk is always there.

Presentation by David Kam, Trans Pacific Textile

Parkhi: David is not here, but if you have any questions, I will forward them to David.

Peter: It has been very difficult to get presenters to talk about polyester.

Mark Messura: What I see is the fundamental problem in discussing polyester relative to cotton: cotton is being held to a different standard. We are being asked to identify traceability and environmental impacts all the way back to the farm. In this presentation, we see that the definition of traceability begins with the polyester pellets and where those are coming from, not where the oil is coming from, not what's happening with petroleum extraction. In the measurements that I've seen for life cycle analysis and the claims that are being made by companies like UniFi, they leave out all those steps. It would be analogous to the cotton industry to be subjected to regulation from the factory where we take yarns and transform them into fabrics. That's what we see in polyester. To make a fair comparison, polyester and synthetic fibers need to include and discuss and be transparent about everything. When they talk about raw materials, it's not the pellets that are melted and transformed into polyester. It's where the pellets come from. It's where the oil comes from.

Cliff: I agree, and it completely backs up what Peter has said about trying to find someone to talk to us about polyester, because they know exactly the questions they're going to get. And



there wasn't a single part in the presentation that spoke about its impact as a product. Nothing in terms of microplastics, the washing of that product.

Peter: Another point is, wherever we talk to somebody, they want to talk about the recycling, and still ignore all the processes Mark previously mentioned.

Eimear: About 22% of polyester is recycled as of 2022 numbers. It's the volume of production which is also the issue. We're looking at 74% plus man-made fiber, versus 21% or 24% natural fibers. When polyester is half the price of cotton and retailers are making money producing garments, it's overproduction. It's something that comes into the mix of the environmental impact of overproduction. If most of the fibers are man-made, fibers are non-biodegradable.

Peter: Mark mentioned on yesterday's committee meeting that these products are coming from nine companies globally.

Miguel: In this analysis comparing cotton with polyester, we should include the time it takes for a piece to decompose. It is left out of the of the footprint comparison.

Mark Messura: Some of the work Cotton Inc does with the Higg index is exactly to incorporate some of the biodegradability and the microplastic shedding information into that index.

Eimear: How successful is that? Is it possible to change the Higg?

Mark Messura: It's possible, but it's a long-term process. The Higg has come under a lot of fire in the last couple of years for bad science and bad data. They're very sensitive now about making sure that there's good data, and we have done a lot of the science around that. The US and Australia have done quite a bit on the biodegradability issue, but it's a long-term process to get the Higg folks to accept and to incorporate that. But we're we keep pushing that.

Salman: Talking about traceability of the recycled polyester, for example, water bottles. I heard that a lot of water bottles are unused, new water bottles being used for recycling. Then it is not recycled, but it's new. How would they trace that the fabric was not new?

Parkhi: When I asked people to prepare something related to the challenges that they're facing with the upcoming regulations, both presenters informed me that they do not face any challenges, they are 100% compatible with the upcoming regulations as of now and have all the required certifications for sustainability and traceability. The cost of these certifications is already absorbed by the industry. It does not impact the price of their final textile product. In terms of emissions, a lot of brands have committed to net zero emissions in the next decade or



two. Even though they undergo a chemical process, they're meeting the requirements of net zero emissions.

Eimear: Peter mentioned that there are nine companies.

Peter: Nine major producers of the PET pellets, or distributions, I need to double check it.

Eimear: One of the issues that the cotton industry faces is the vastness of the supply chain, and cotton coming from multiple origins. We're not united globally, whether it's production methods or traceability, etc., we're not unified, and our supply chain is much more complex than the supply chain of man-made fibers.

Salman: One of the major attractions is the price and profitability for the retailer.

Usman: The polyester value chain is coming from oil extraction and then going to heavy and light NAFTA crackers. From there, it goes to paraxylene and MEG, then to PTA, and then to fiber manufacturing. When we talk about polyester, it is coming from two sources. Either it is coming as a polyester fiber, or as a filament, which is bypassing the spinning. Talking about NAFTA crackers, there's a lot of heat and pressure involved. And the second point is that the majority of polyester is coming in filament form, which bypasses the spinning sector. ICAC has recently submitted comments to European Union, and we tried to cover every point which goes in favor of cotton. Agriculture product cannot be compared with the mineral product. We challenged their durability and all the statements in the favor of polyester. We can share all those documents, and together we can form a strategy to combat all those things

Cliff: It's important for all of us to continue this involvement.

Peter: PSAC has made some submissions to the EU, raising a lot of the points that have been discussed today. That is available on the website.

Usman: We have also prepared something for the green claims part, but we couldn't submit it because we didn't get the permission. But we can share it internally. If we challenge green claims, polyester falls under that.

Josep: I want to highlight the comment from Eimear about not being united globally, because this is what we should all work on. We need same criteria, same standards, same approaches.

Parkhi: The next steps will be to compile all the comments from today and the previous meeting, draft a presentation, which will be presented by Cliff at the ICAC Plenary Meeting. A part of it will go into the PSAC final statement, and into the plenary final statement.



**INTERNATIONAL
COTTON
ADVISORY
COMMITTEE**

Some of the upcoming issues may impact private sector organizations and businesses. If you have some issue that you want PSAC to work on starting fall, let me know and I'll get it on the agenda for a debate.

Parkhi reminded about the ICAC Plenary Meeting in September, the Chair thanked everyone and closed the meeting.