

## Technical Seminar 17

### Transitioning to innovative financing tools – a call from fashion producers

17 January 2024

Decarbonizing the fashion industry requires significant financial investment as the industry needs to cut emissions by 45% by 2030 and reach net zero by 2050. This online seminar invited fashion producers to share their practices and perspectives on:

- When suppliers carry out rapid and deep decarbonization programs, which projects generate financial returns and which ones do not? What type of investment do suppliers need for projects that don't generate returns?
- Why is decarbonization a highly contextual challenge in the garment supply chain? How does that affect suppliers accessing funds?
- What could be immediate and collective moves from the industry stakeholders to support rapid and deep decarbonization initiated by suppliers?

The two panelists with decades of experience in fashion sustainable production shared their insights on how to understand the current situation, access resources and build collective plans with their clients to cope with the challenges:



#### **Dhanujie Jayapala**

Head of Environmental Sustainability, MAS Capital Pvt Ltd.

With 12+ years of experience in energy efficiency, renewable energy, and decarbonization. Dhanujie Jayapala currently works at MAS Holdings focusing on achieving the company's environmental targets including decarbonization to its sustainability strategy - the MAS Plan for Change.



#### **Martin Su**

Chief Sustainability Officer (CSO), Yee Chain Intl. Ltd.

Martin Su sets the decarbonisation strategy and execution to conduct a responsible operation, diverse innovation, and multidisciplinary collaboration to fulfill environmental sustainability, social responsibility, and company governance

to become carbon neutral by 2030 and a pioneering brick of the circular textile ecosystem.

The online seminar comprised a lengthy panel discussion, followed by a Q&A.

Dhanujie from Mas Holdings helps us to grasp the reality of broader decarbonization challenges and how the challenges are deeply waded into geographic contexts, current business pricing models, and global funding realities by showcasing:

- In the short-medium term, the priority of investing in renewable energy infrastructure is often in competition with priorities of funding education and healthcare programs, which puts the governments of the Global South in a difficult situation in balancing sustainable developments, and that directly affects fashion producers rapidly transforming to renewable energy.
- Heavy capital investments in securing renewable energy sources and machines impact manufacturers' per-product pricing which is not supported by the current business pricing models – the sourcing metrics are not built around sustainability yet, which causes orders to move out from the countries that need sufficient funds to transform to renewable energy, and that affects suppliers long-term financial plannings on decarbonization.
- The efficiency and affordability of distributing funds from Global North to Global South can be impacted by how the interest rate has been set and how the rules have been set to apply the funds.
- The industry shall encourage and call for building a long-term co-invest brands' suppliers relationship and have concessional funding for manufacturers and governments of the Global South.

In lots of cases, factories carrying out decarbonization projects can be all about controlling and managing CapEx and OpEx. Martin from Yee Chain provides very helpful insights by showcasing their decarbonization approaches and practices on:

- Positioning the company as a service provider rather than a product producer helps to unlock sustainable investment internally, proactively develop innovative technology in sustainable production, and have different financial views and strategies on CapEx and OpEx.
- Rooting in local communities and exposing to the international environment helps to increase accessibility to various resources such as innovative sustainable solutions and financing opportunities.
- Advocating for brands to co-invest in decarbonization and engaging governmental sustainability subsidy projects increase opportunities for the company to access funds.

Both panelists mentioned a collective approach from brands and funding entities on financing decarbonization shall include but not be limited to:

- Brands could support suppliers' decarbonization initiatives through higher prices longer-term contracts and business commitment, as well as co-invest in facilities and infrastructure.
- Brands shall speak the same language on climate actions instead of mixed messages, and that would help manufacturers establish a steady long-term financial view on decarbonization investment.
- Funding entities could redesign the financial support systems so that suppliers and their governments could access funds at cheaper costs and in more efficient ways.

In conclusion, the panelists agreed that bringing changes to the current sourcing metrics so that the pricing model would favor and reward companies with lower carbon footprints would greatly help the whole industry reach climate goals by 2030 and 2050. Creating innovative and diversified financing tools and improving the current financing distribution efficiency could greatly unlock suppliers' long-term financial capacity in terms of delivering on climate goals. Understanding decarbonization is a highly contextual challenge would help brands and funding entities to engage in manufacturers' decarbonization programs more effectively and help to develop impactful financial plans to accelerate decarbonization in a much more collective way.

To learn more, watch the [recording of Technical Seminar 17](#). The slides presented in this seminar are attached below. For more online seminars on similar topics, check out the [Asian Dialogues Series](#).

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# Decarbonisation Story

From a manufacture perspective

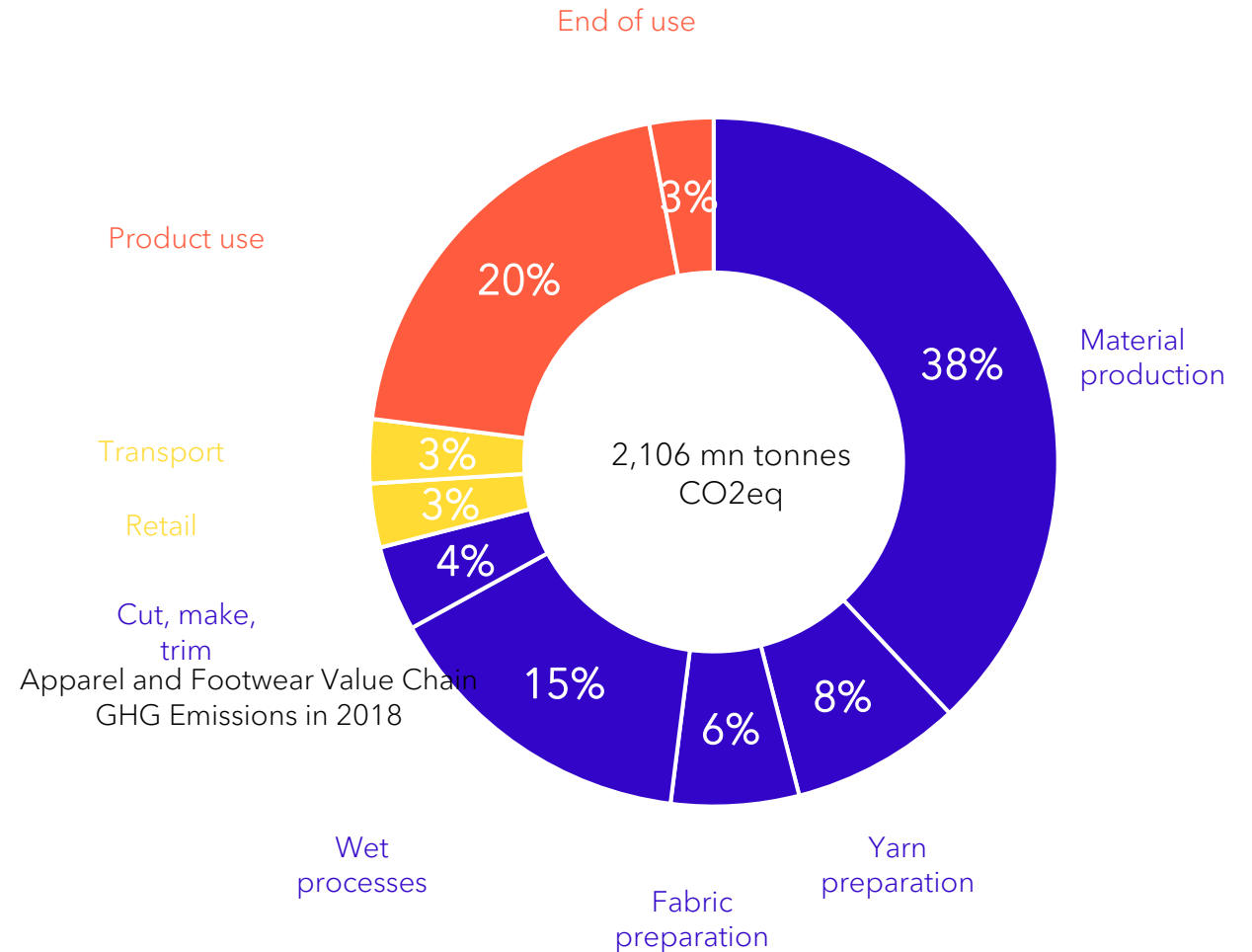
# Decarbonisation Steps

- Decarbonised

- Raw Material
- Fabric preparation processes
- Wet processing
- Cut and Trim

- Transport
- Retail

- Product use
- End of use





# Decarbonisation Steps

- Decarbonised
  - Raw Material - > Production to Harvesting , working on recycled materials
  - Fabric preparation processes - > Renewable Energy
  - Wet processing - > Zero Emission dyeing
  - Cut and Trim - > Renewable Energy
- Transport - > Zero Emission transport ?
- Retail - > Renewable Energy
- Product use -> Consumer using renewable energy
- End of use -> Handing over to recycler



# Implementation Steps / Manufacturer Burden

- Rapid transformation to renewable electricity
- Coal Elimination
- Certified biomass
- Low energy dyeing techniques
- Efficient Manufacturing Equipment
- Efficient Utilities



# Challenges for Suppliers – Product Price

- Heavy capital investments on renewables will impact the per product pricing
- Debt Interest rates in developing countries are high
- Renewable PPAs are slightly expensive and need long-term commitments





# Challenges for Suppliers – Supplier Dilemma

- Power dynamics of Apparel and Textile demands fast decarbonization
- Countries not ready to move due to multiple reasons
- Increased cost due to high capital utilization and borrowing cost.
- Brand move out due to increased cost
- Suppliers are caught in between this dilemma



# Challenges for Suppliers – Global South Priorities

- Short-term investment in renewable energy transition is high
- Developing countries prioritize these cost among
  - Cost of education
  - Cost of free health care
  - Cost of Social welfare



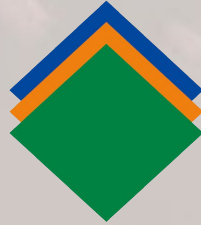
# Challenges for Suppliers – Climate Justice

- Implementation risk and R&D is in global south
- High borrowing leads to higher default cost
- This results with increased borrowing cost
- The Global North hasn't altogether transitioned enough
- Globalisation is all about moving the problem from one part of the world to another
- Unfortunately, climate change is a global problem, which no one can exit.



# Suggestions

- Long-term partnerships with suppliers and brands.
- Allocate R&D funding and knowledge resources.
- Concessional funding for manufacturers and global south.



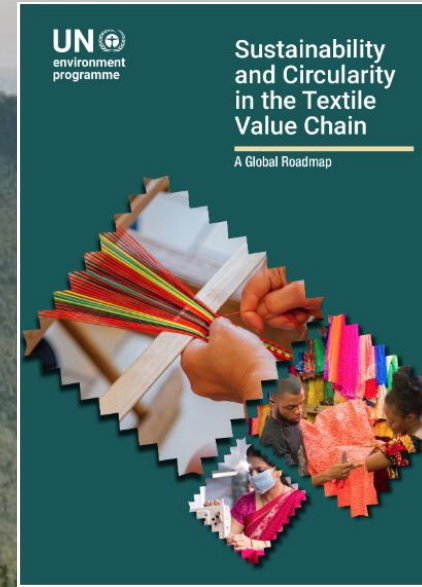
*Yee Chain*

**Yee Chain**



- **Product:** Sustainable & Circular Textile for footwear and apparel
- **Production Locations:** Taiwan HQ (est.1997), Southeast Asia
- **Partner Scope:** Global international sportswear brands
- **Global Monthly Capacity :** 11M YD
- **Strengths & Singularity:** Speed, Quality, Availability with Awards

**2023 Proud Moments:** Peer Reviewed among 140 Experts & Case Study in [UNEP's 50-Year Anniversary Global Report](#)



# Our Vision Carbon Neutral by 2030

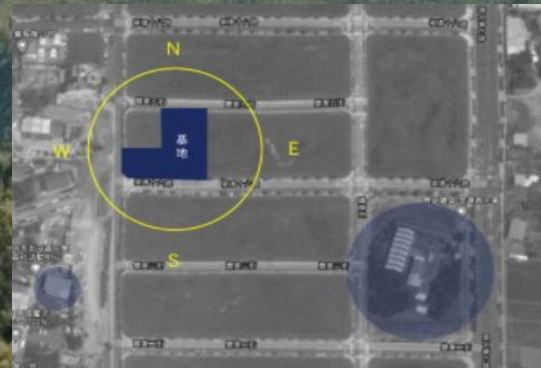
To be one of the most carbon-conscious, progressive, competitive, and clean textile company by:

1. Textile as a Service (TaaS)
2. Climate Proof Production
3. Global Social & Ecological Impact



# Our Climate Proof Production Taiwan

- Land Area: 2500 SQM, Building Size: 1100 SQM
- Aiming for the High(est) Green Building standard in Asia
- Double Certification: International Living Future Institute x LEED
  - ILFI CORE - 1st in Taiwan
  - LEED Platinum - Highest standard for LEED
- Locating in Taichung, Taiwan
- Hosting 60+ Employees, with office space and warehouse
- Community space and public engagement

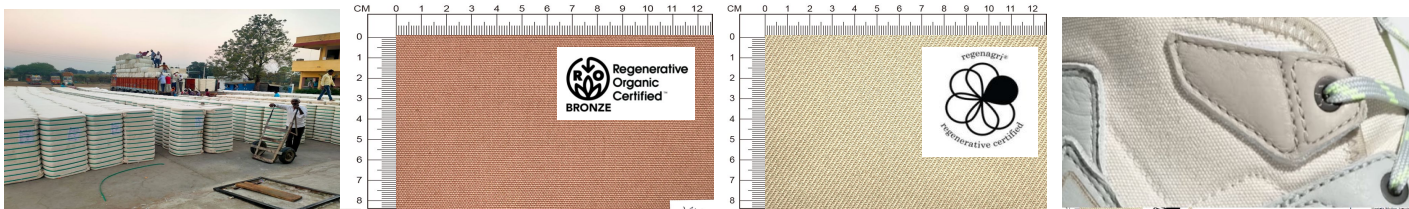
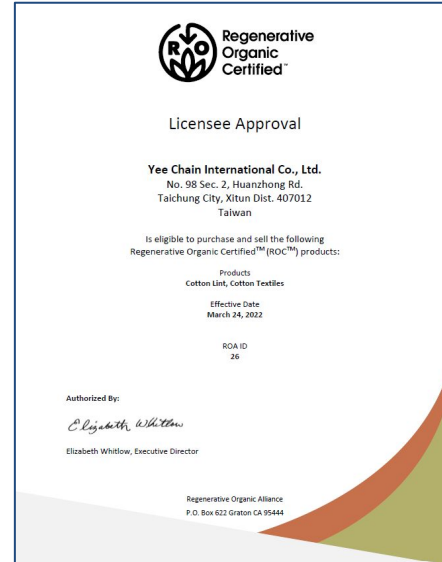




# Yee Chain in 2023: Materials

## Biocycle: Regenerative Organic Certified (ROC) and regenagri certified Cotton Production Setup by Advanced Farming / Regenerative Agriculture

- Yee Chain is the 1st Approved Licensee of ROC Textiles for footwear, and one of the very 1st ones in apparel with full Traceability in the industry



# Yee Chain in 2023: Waste

## Techcycle: Textile-to-Textile (T2T) Product Line

- Yee Chain is the 1st to deliver domestic T2T Closed-Loop Partnership Program with IKEA and ATUNAS in Taiwan
- Reduced and/or reused total waste by 15%



**New Model Launch:  
Textile-to-Textile Close-Loop  
Partnership**

品牌供應鏈布到布專案發表會  
November 25, 2022.



# Yee Chain in 2023: Energy

## Renewable System Investment

- Signed REC contract
- Mapped out RTS capacity increase until 2026
- Mapped out off-site renewable collaboration
- Set up RE investments and low carbon logistics



# Yee Chain in 2023: Water

## New Dyeing Methods Development

- Research conducted on LCA for Dope Dye materials and scaling up Dope Dye usage
- Developed roadmap of various coloration options and executing on applying those



**How is Yee Chain looking into decarbonization efforts? What are our needs?**

- A. Some of which is just cost, nothing we can do
- B. ROI evaluations
- C. Dropping CAPEX to near zero

**What have we done in terms of getting funding support?**

- A. Governmental subsidy projects
- B. International grants (GFF, etc)
- C. Others

**What would Yee Chain like to see?**

- A. Brand co-invest
- B. Easier access to governmental support
- C. More open grants
- D. Others



*Yee Chain*

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