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The 1st Sustainable Supply Chain Meeting

Environmental, Social, and Governance
Focus – Phasing out Coal

Event Report

June 30, 2022

Ho Chi Minh City, Vietnam



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Event Summary

The Mekong Sustainable Manufacturing Alliance (The Alliance), funded by the United States Agency for International Development (USAID) and implemented by the Institute of Sustainable Communities and H&M, the world's 8th most valuable apparel brand, co-organized the inaugural Sustainable Supply Chain Meeting. The event, held in Vietnam on June 30, 2022, received overwhelming interest, participated by over 40 participants from the top 10 most valuable apparel brands and beyond. Altogether, these 13 brands have over \$ 60 billion combined value and cover more than 3,000 factories in Asia in 2022.

All participating brands shared a common interest and journey towards phasing out coal. Most of them signed up to the UNFCCC Fashion Charter committing to achieve net zero by 2050, while some have 2025 and 2030 coal phase-out deadlines. The participants identified the following common challenges and opportunities to collaborate.

Challenges

Lack of industry-level common practical definition of sustainable biomass in the context of Cambodia, Thailand, and Vietnam

Competing demand for biomass supply from other sectors with higher volume

Limited understanding of supply stability, sustainability, and price of biomass among brands and factories

Limited awareness of relevant technologies to transition to biomass

Insufficient knowledge of local context to strategically decide natural gas vs. non-fossil fuel options

Next Steps

The Alliance intends to address these challenges by the following actions:

Create a working group of 3 leading brands and their strategic suppliers (maximum of 10 factories) to aggregate biomass demand, and facilitate procurement and negotiation in August 2022

Convene the next regional dialogue to exchange knowledge and best practices among brands and suppliers on technological solutions and biomass in Cambodia, Thailand and Vietnam in September 2022

Potential Collaborations

Industry-level collaboration on sustainability definition of biomass feedstock in the context of Vietnam and Cambodia

Aggregation of biomass demand from factories across different brands for higher negotiation power and better terms with biomass suppliers

Industry-level, regional dialogues to exchange knowledge and best practices among factories and brands on topics related to coal transition technologies and alternatives for Cambodia, Thailand, and Vietnam

Message from Organizers



Pornpun Pinweha

Regional Program Development Specialist

USAID/Regional Development Mission for Asia

USAID commits to work closely with companies, corporations, and alliances across the region to promote industrial-level responsible and inclusive business practices in achieving sustainability in the Sub-Mekong region. Working together with the private sector is one of the key policies we are focusing on. I am confident that we can accelerate the energy transition in the region, and promote cleaner, smarter, and more secure future generations.



Howe Anastacia

Environmental Program Manager Far East Asia Region

H&M Group

Collective action on sustainability in the fashion industry becomes more significant, especially in the renewable energy for coal phase-out. I am grateful to see the whole meeting share the interest and determination to find the solution together and believe that the sustainable supply chain meeting will soon create a greater platform for transparent dialogue, discussing solutions, and acting together.



Natcha Tulyasuwan, PhD.

Deputy Chief of Party

**Mekong Sustainable Manufacturing Alliance
(The Alliance)**

The meeting could not have been possible without the cooperation and commitment of everyone to advancing a sustainable supply chain. We will continue to provide technical assistance and facilitate partnerships that support the alternatives to coal use and sustain the regional supply chain.



SESSION HIGHLIGHTS

Coal Phase-Out Alternatives: Co-Benefits, and Challenges

Against the backdrop of global demand to address the climate crisis, coal use and production in the Mekong Region are still on the rise and have become an increasingly larger share of the regional electricity generation. However, with the realization of its adverse effect and commitment to reducing greenhouse gas (GHG) emissions, the government, key stakeholders, and leading companies in the fashion industry aim to advance renewable energy and seek alternatives to coal-fired power.

Alternatives to transition from fossil fuel are available for both on-site and off-site implementation. For on-site solutions, manufacturers can consider investing in renewable energy solutions, e.g., solar rooftops, or deploying a combination of coal and biomass for power generation. Meanwhile, off-site solutions can be done through a virtual power purchase agreement which allows factories to procure the renewable energy certificate and make claims regarding their greenhouse gas reductions.

Phasing out the use of coal is a crucial step to achieving the global climate goal. We all comprehend the co-benefits of coal phase-out that could bring about reduced cost of electricity production, increased energy security, income generation, and well-being, and more global investment that drives regional economic growth. However, challenges regarding industry-level knowledge and understanding of available technologies, fuel availability, investment cost, and technical skills need to be addressed to foster collaboration in coal elimination.

Key Takeaways: Priorities, Common Challenges and Opportunities

The brands have set an ambitious goal and proactively have worked on phasing out the coal by 2025; however, there are still a lot of challenges along the way to reach the target, including:

- Lack of industry-level common practical definition of sustainable biomass in the context of Cambodia, Thailand, and Vietnam
- Competing demand for biomass supply from other sectors with higher volume
- Limited understanding of supply stability, sustainability, and price of biomass among brands and factories
- Limited awareness of relevant technologies to transition to biomass
- Insufficient knowledge of local context to strategically decide natural gas vs non-fossil fuel options

Participating organizations have agreed to move forward by influencing manufacturers' investment, combining demands for better negotiation with biomass suppliers, and providing technical support on technology.

With the shared goals and agenda, the common challenges of the coal phase-out create a high need for collaboration among the brands and relevant stakeholders to accelerate the progress. Participating organizations have identified the following potential collaboration opportunities.

- Industry-level collaboration on sustainability definition of biomass feedstock in the context of Vietnam and Cambodia
- Aggregation of biomass demand from factories across different brands for higher negotiation power and better terms with biomass suppliers
- Industry-level, regional dialogues to exchange knowledge and best practices among factories and brands on topics related to coal transition technologies and alternatives for Cambodia, Thailand, and Vietnam



Next Steps

The Alliance will continue to collaborate with leading brands to implement actions on the ground and to convene industry-level regional discussion to tackle common challenges in phasing out coal from supply chains in Asia. Specifically, The Alliance will:

- Create a working group of 3 leading brands and their strategic suppliers (maximum of 10 factories) to aggregate biomass demand, and facilitate procurement and negotiation in August 2022
- Convene the next regional dialogue to exchange knowledge and best practices among brands and suppliers on technological solutions and biomass in Cambodia, Thailand and Vietnam in September 2022



About The Alliance

The Mekong Sustainable Manufacturing Alliance (The Alliance), funded by the USAID Regional Development Mission for Asia, and implemented in Cambodia, Thailand, and Vietnam. The program uses a market-driven approach to strengthen sustainable and competitive manufacturing by engaging the private sector, catalyzing market forces, and advancing innovative regional initiatives that will increase the adoption of Environmental, Social, and Governance (ESG) standards.

The Alliance also supports USAID's Corporate Clean Energy Alliance (CCEA), a partnership with business leaders facilitating the rapid deployment of state-of-the-art clean energy technologies and developing viable business models and policy frameworks that drive the transition to low-carbon economic growth across Southeast Asia.

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