

## Fashion Industry Faces Financial Risk Without Climate Action

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A new industry analysis has revealed a stark forecast for the global fashion sector: if companies delay meaningful climate action, they could see their profits shrink by as much as **34 per cent by 2030**. The findings highlight how escalating **climate-related costs** — including rising energy, carbon and raw material prices — are increasingly threatening bottom lines across the apparel and textile supply chain.

According to the report, published by sustainability researchers and cited in a *FashionNetwork India* article, the financial risks posed by climate change are no longer hypothetical. The study suggests that without a rapid reduction in greenhouse gas emissions and proactive supply-chain decarbonization, fashion brands could face mounting cost pressures that directly erode profitability.

### Economic Risks Meet Climate Reality

The report identifies several key drivers of this risk:

- **Carbon pricing and regulatory costs** that shift onto companies as governments tighten emissions rules.
- **Rising energy and raw material costs**, influenced by climate volatility and dependence on fossil fuels.
- **Supply chain exposure**, as factory operations and raw material production face climate disruption and increased costs.

Experts warn that these factors could dent operational margins substantially before the end of this decade. Without strategic changes, what has traditionally been a resilient — yet environmentally intensive — industry could see value decline sharply.

### Longer-Term Consequences

Projections from the underlying industry research suggest that continued inaction could magnify losses even further. By **2040**, the cumulative financial impact of climate-related costs could jeopardize **up to two-thirds of profits**, effectively weakening the industry's competitiveness in a market increasingly shaped by climate policy and consumer preferences for sustainable products.

### How Brands Can Respond

Industry analysts say that the shift toward sustainability not only mitigates environmental harm but also serves as a **financial safeguard**. Investing early in renewable energy, energy efficiency, and decarbonized supply chains can reduce vulnerability to volatile fossil fuel prices and regulatory penalties. Collaborative efforts between brands and

suppliers may also help spread risk and build resilience in the broader fashion ecosystem.

While climate change has long been discussed in fashion circles as an ethical concern, this new research frames it as a **core business risk** — one that could reshape the industry's financial landscape if decisive action isn't taken soon

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