SWITCH GARMENT
Promotion of sustainable energy practices in the garment sector in Cambodia

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Introduction
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Donor

Implementation Partners

Government Partners
An international organization established in 2012, headquartered in Seoul, South Korea dedicated to promote green growth, a pathway to development that is characterized by a balance of economic growth, social inclusion and environmental sustainability.

Set up in 1976, Geres is a development NGO working in Europe, Africa and Asia to improve living conditions and fight against climate change and its impacts. The energy transition is a major lever in Geres activities.

Established in 1996, due to the increasing need for the garment industries to stand together with a unified voice, GMAC has become one of the most active and prominent trade associations in the country, representing, promoting and safeguarding the rights and interests of its members.
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Duration: 2020-2024

Objective:
Increase competitiveness and decrease environmental impact of garment producing SMEs by promoting the adoption of sustainable energy practices and facilitating investments in cleaner technologies.

Expected Impacts:

- ✔ Reduction in GHG emissions of 175,000 tCO2e by 2025
- ✔ Reduction of average energy cost for garment manufacturing by 20%
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Objectives:
✓ Decrease operating costs
✓ Increase competitiveness
✓ Decrease environmental impact
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- Relevant regulatory measures incentivize private investment in sustainable energy practices

**REGULATORY MEASURES**
- Context-relevant and feasible measures
- Technical assistance to adopt and operationalize recommended regulations

**MONITORING AND VERIFICATION**
- Appropriate enforcement mechanisms
- Adoption of Monitoring & Verification procedures for industrial energy performance
- Build technical capacities
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✓ Demand for sustainable energy advice, technologies and practices increases among value chain stakeholders

- Engagement with factories
- Audits and assessment of possible savings
- Action plans and mentoring
- Trainings and knowledge sharing
- Demonstration of benefits
- Brand involvement and platform to take coordinated action
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✓ Factories access a range of appropriate technical and financial services

ACCESS TO SERVICES AND SOLUTIONS

- Aggregated SME demand to upsize investment
- Negotiation with market players to provide service to every risk category.
- Guarantee fund to lower the risks of investing in sustainable energy projects.
- Benefits showcased through a demonstration project to encourage investment
Challenges and opportunities
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Challenges and opportunities

- High energy costs
- Disruptions and vulnerability due to the COVID-19 pandemics and related crisis

- Sustainable energy solutions lighten the burden of factories and increase the sector’s profitability
- Facilitating investment for SMES supports greener recovery

The cost of electricity from the national grid in Cambodia is among the highest in ASEAN

Opportunity Sustainable energy measures typically have a short pay back time, representing significant avoided cost and a high return on investment
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Challenges and opportunities

✓ Hard competition among Asian producers
✓ Pressing expectations from brands to increase sustainability and fulfill commitments
✓ Difficulty to comply with all demands

✓ Sustainable energy solutions will increase factories’ competitiveness in the region

Clean and efficient energy, data monitoring
→ Increased reliability
→ Compliance with buyers’ requirements
→ Sector attractiveness
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Challenges and opportunities

- Low involvement of SMEs in clean production programmes
- General focus on large factories
- Insufficient capacities and familiarity with clean energy within SMEs

- Actors along the supply chain and in factories identify the opportunity of tailor-made activities prioritizing SMEs to spread clean production deeper in the sector

- Free energy audits
- Free and appropriate training courses
- Investment facilitation
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Challenges and opportunities

- SME face specific difficulties to access attractive financial options to invest in Sustainable energy
- Access to a wider range of appropriate technical and financial services

- Low capital
- Weak balance sheet and credit score
- Insufficiently strong books of account
- Liquidity crunch, lack of collateral

- Quantified impact on future cost savings
- Negotiation with market players
- Guarantee fund
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Challenges and opportunities

✓ No clear platform for discussion on environmental and energy performance
✓ Lack of coordinated initiatives and multiple commitments
✓ Lack of shared discussion between the different actors

✓ A platform for dialogue with international buyers on evolving sustainability requirements
✓ Gather multiple garment stakeholders
✓ Develop and reach agreement
✓ Take shared commitment and action
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