

Design & Fashion EU response All Europe Countries Greening

Fashion SMEs Say They Struggle With Regulatory Overload And Uneven Competition

CREATIVESUNITE

Co-funded by the European Union

Small fashion businesses across Europe say they want to be sustainable, yet they are overwhelmed by the complexity of regulations. They call for EU-wide certification labels, tax breaks and financial support to compete with big companies. Environmentalists insist that Europe cannot afford to take steps back from the Green Deal. So, what is the way forward?

Small and medium-sized fashion businesses are committed to sustainability but lack the practical tools and funding to comply with increasingly complex EU environmental regulations, according to a 2025 report from the European Fashion Alliance "on the Needs of the European Creativity-Driven Fashion Industry." The alliance is calling on Brussels to introduce EU-wide certification labels for sustainable materials, establish a supplier database, and allow reduced VAT rates on certified green fabrics—arguing that without these measures, smaller firms will be crushed by compliance costs while larger competitors will pull ahead.

The report, based on interviews with 16 businesses and a survey of 211 industry representatives across Europe, paints a picture of widespread commitment hampered by structural barriers. While 88 per cent of respondents said they had invested money or staff time in sustainability, 59 per cent said they still lacked the support needed for high-quality sustainable practices.

A Belgian fashion business owner captured the frustration: "Complexity is the challenge. Right now, we spend a lot of time deciphering exactly what to do." The alliance argues that small

brands—which it describes as the backbone of Europe's creative fashion sector—face particular disadvantages in meeting the EU's environmental goals, which call for clothing sold in the bloc to be longer-lasting and recyclable by 2030.

One recurring problem identified in the report is the difficulty of verifying sustainable materials, especially for brands buying small quantities. A North Macedonian designer said even locally sourced fabrics often lack proper credentials, making it impossible to confirm their origins.

To address this, the alliance wants Brussels to back certification schemes, create a searchable platform listing verified suppliers, and offer reduced VAT on certified sustainable materials. It also calls for stronger action against counterfeiting, including AI-powered intellectual property monitoring.



The report includes 63 recommendations aimed at EU authorities. Among them are grants for small businesses to access lifecycle assessment tools and Digital Product Passports, subsidised training programmes, and support for brands from smaller markets to attend trade fairs.

It also proposes a European Fashion Hub—a single access point for EU support measures aimed at creative brands. On skills, 72 per cent of survey respondents said training programmes were the solution to knowledge gaps, while 69 per cent wanted closer ties with universities and research institutes.

A sector with an... image problem?

The report highlights a reputational challenge: 66 per cent of respondents said the fashion industry's public image was negative or rather negative. Yet only 27 per cent measured their own social sustainability impact.

An Irish member summed up the shared responsibility: "Consumers play a crucial role through their purchasing decisions. Policy plays a vital role in setting standards and incentives." But the report warned that without intervention, price will continue to trump sustainability. "We have to ensure that the purchasing decision is not dictated by the lowest price," one respondent said. The message from Europe's fashion SMEs is clear: without trustworthy supply chains, they will continue losing time and money trying to prove their materials are what they claim to be.

According to an EU Parliament report on fast fashion, Europeans discard around 12 kilograms of clothing per person each year—with only 1 per cent recycled into new garments. The alliance says it wants tougher enforcement of regulation for everybody, including stronger customs checks and market surveillance for low-value imports, to prevent unfair competition from producers that ignore the rules. The EU has responded to complexity complaints with initiatives like the 2025 Omnibus package, which simplifies sustainability reporting under directives like the Corporate Sustainability Due Diligence Directive (CSDDD), reducing administrative loads for smaller firms.

The 2025 Omnibus Package, formally known as "Omnibus I," is a set of legislative proposals introduced by the European Commission in February 2025 to simplify EU sustainability rules and reduce administrative burdens on businesses. It came under fire by the Greens and enviromental groups as a step backwards but was adopted by the European Parliament on December aiming to boost EU competitiveness as a way to cut "red tape" while maintain core environmental goals.

Environmental advocates emphasize that Europe's 1.2 billion tons of annual fashion-related CO emissions (more than aviation and shipping combined) demand comprehensive regulations, not exemptions. Weakening them risks undermining the EU's Green Deal goals, as seen in calls to expand rules to all brands, including fast fashion importers like Shein, to close loopholes.

Whether Brussels can tailor implementation to avoid overwhelming small creative businesses while keeping green regulation is still an open question.

Images by the ©2024 Sustainability Directory, Licensed under CC BY 4.0.

Co-funded by
the European Union