

**TENTATIVE AGENDA**  
**Consultation Workshop on the Results of the Impact Assessment**  
**of the EU's Carbon Border Adjustment Mechanism on and Implications for Viet Nam**

**08:30 – 12:00 (ICT), Friday, 14 April 2023**

**Venue: Winsor room, Grand Plaza Hotel, 117 Tran Duy Hung Rd. Trung Hoa, Cau Giay, Hanoi**

Time	Agenda Items
08:00	<b>Registration</b>
08:30	<b>Opening remarks</b> <i>Ms. Sirpa Jarvenpaa, Director of Southeast Asia Energy Transition Partnership (ETP)</i>
08:40	<b>Roles of Carbon Border Adjustment Impact Assessment towards climate policies of Viet Nam</b> <i>Mr. Nguyen Van Minh, Director of Economics and Climate Change Information Division, Department of Climate Change (DCC)</i>
<b>Session 1: Overview of the EU's Carbon Border Adjustment Mechanisms (CBAM) and CBAM-covered sectors in Viet Nam</b>	
08:50	<b>Updates on the latest implementation plan of the EU's CBAM and the project implementation progress</b> <i>The Consultant</i>
09:00	<b>Status and development policies of CBAM-covered sectors in Viet Nam (iron and steel/ aluminium/cement/fertiliser)</b> <i>Associations (iron &amp; steel, aluminium, cement, fertiliser) and the Consultant</i>
09:40	<b>Photo session and Tea Break</b>
<b>Session 2: Results of the Impact Assessment of the EU's CBAM on and Implications for Viet Nam</b>	
10:00	<b>Results of the impact assessment of the EU's CBAM on sectors, economy, energy transition, and NDC implementation and implications for Viet Nam</b> <i>The Consultant</i>
10:45	<b>Reactions from other countries and recommendations for negotiation strategies and policies for Viet Nam</b> <i>The Consultant</i>
11:15	<b>Discussion</b>
11:45	<b>Closing remarks</b> <i>DCC/ETP</i>
12:00	<b>Lunch</b>



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## PROJECT UPDATES

### *Impact Assessment of EU's Carbon Border Adjustment Mechanism (CBAM) and Recommendations on Carbon Tax Policies for Vietnam*

#### Updates on CBAM implementation plan

On 8 February 2023, the European Parliament and the Council of the European Union released the latest updates on CBAM implementation plan contained in the Provisional Agreement resulting from interinstitutional negotiations on the proposal for CBAM regulation. Accordingly, CBAM will start operating from 1 October 2023 with a three-year transitional phase. After the transition phase, the permanent system will enter into force on 1 January 2026 and become fully operational in 2034. During this period, CBAM will be gradually phased-in in parallel with the phasing-out of the free allowances under the EU's Emission Trading Scheme (EU ETS). CBAM thus will only apply to the proportion of emissions not benefitting from free allowances under the ETS over 2026 – 2034.

**Table 1: Phasing out of the EU's ETS Free allowances**

	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>ETS Free Allowance (%)</b>	97.5	95	90	77.5	51.5	39	26.5	14	0
<b>CBAM (%)</b>	2.5	5	10	22.5	48.5	61	73.5	86	100

Source: European Parliament (2022b)



**Figure 1. CBAM phase-in over time**

Source: European Commission (2021c), European Parliament (2022b), and European Parliament (2022c)

The operation of CBAM during its transitional phase will be subject to review before the definitive system takes effect in 2026. The Commission will be required to assess whether to broaden the scope to other goods identified during the negotiations, including certain downstream products and other sectors such as organic chemicals and polymers as previously proposed by the Parliament. It is planned to include all goods covered by the EU ETS by 2030 and the methodology to calculate indirect emissions shall be assessed at the same time.

The Commission plans to conduct a thorough examination of CBAM by the conclusion of 2027. This will involve evaluating the progress made in international negotiations on climate change, as well as the impact on imports from developing countries, particularly the least developed countries (LDCs).

## **Updates on Project implementation**

Following the Inception Workshop on 6 December 2022 and the submission of the Inception Report on 14 December 2022, the study on CBAM impact assessment was performed, including the following main activities:

- 1) Data collection
  - Questionnaire survey: The Official Letter No. 23/BDKH-KTTT of the Department of Climate Change dated 9 January 2023 was sent to targeted enterprises in the four CBAM-covered sectors (aluminium, iron and steel, cement, and fertiliser). The survey period was from 11th January – 13<sup>th</sup> February.
  - Top-down data was collected in collaboration with relevant agencies and organisations.
- 2) Stocktake of Viet Nam’s relevant policies and regulations and impact analysis of CBAM on legal aspects.
- 3) Data modelling (partial equilibrium and computable general equilibrium) and analysis of modelling results.
- 4) Identification of implications on sectoral mitigation plan, energy transition, and achievement of NDC targets.
- 5) Proposed recommendations for negotiation strategies and policies for energy transition, climate change mitigation, and low-carbon development in Viet Nam.

The Draft CBAM Impact Assessment Report was completed and will be shared with relevant stakeholders during the Stakeholder Consultation Workshop and bilateral meetings in April 2023.

## **Reactions from countries around the world**

Despite the concern over the compliance and complexity of CBAM, the US appears to be keen on collaborating with the EU to push the global decarbonisation efforts and considering the idea of a CBAM. China is recommended to strengthen its domestic ETS to avoid a high EU border levy and accelerate China’s decarbonisation efforts. Japan emphasised the importance of avoiding trade disputes related to the implementation of CBAM and will continue holding dialogues with the EU on whether the mechanism is compliant with WTO rules. Some Russian political leaders believe that developing a domestic carbon pricing system would mitigate the impact of CBAM on Russia's economy and help diversify it by reducing its dependence on fossil fuels. Australia is suggested to take more aggressive action to reduce its carbon footprint, otherwise, it will be exposed to the high risk of a “domino effect”. The New Zealand government has expressed its concerns about the risk of carbon leakage in the cement industry and is considering the merit of a CBAM for New Zealand starting with this industry. India has already stated that it will launch a formal challenge against CBAM under the World Trade Organization (WTO) but at the same time has indicated its willingness to engage in dialogue with the EU through ongoing FTA negotiations to establish reasonable default values and recognition of domestic carbon pricing measures for CBAM’s implementation. The UK government confirms its commitment to tackling climate change and consulting on implementing a range of options, including a UK CBAM.