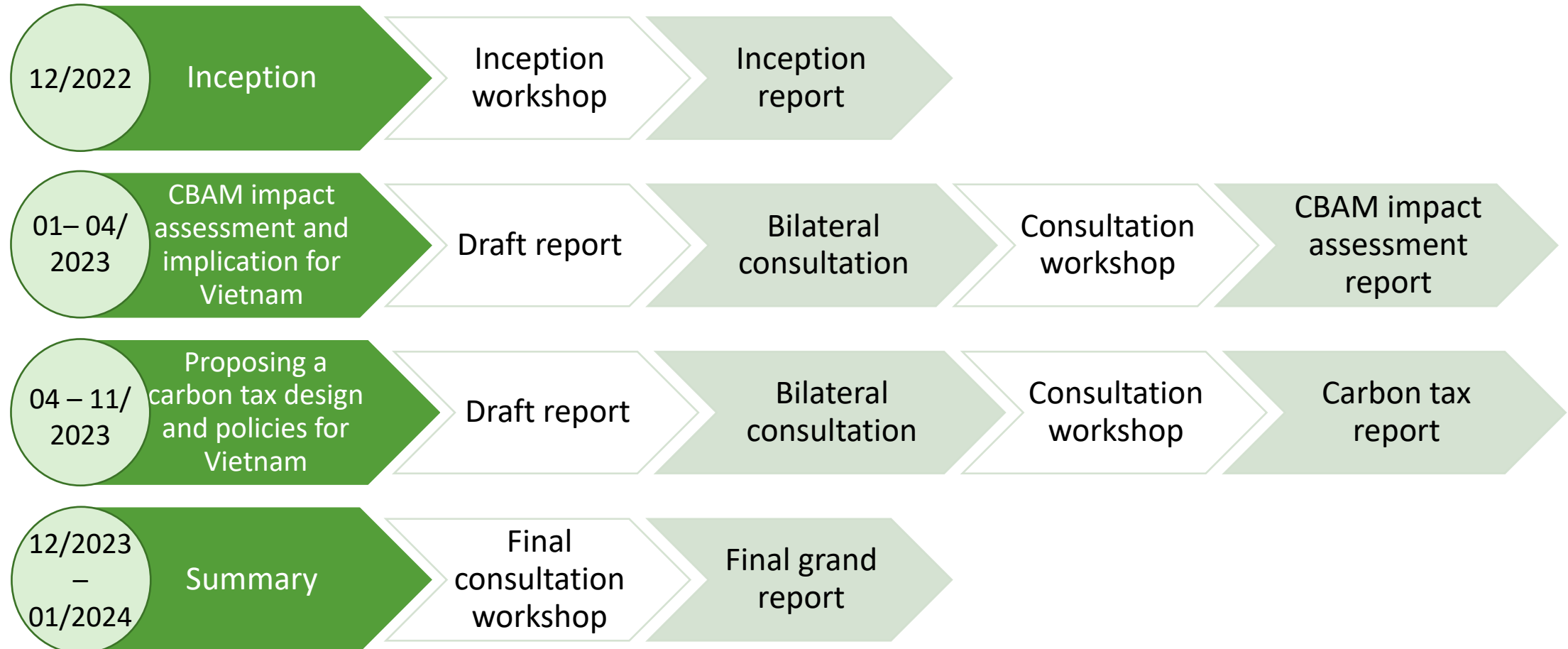


UPDATE ON PROJECT PROGRESS AND EU CBAM REGULATIONS

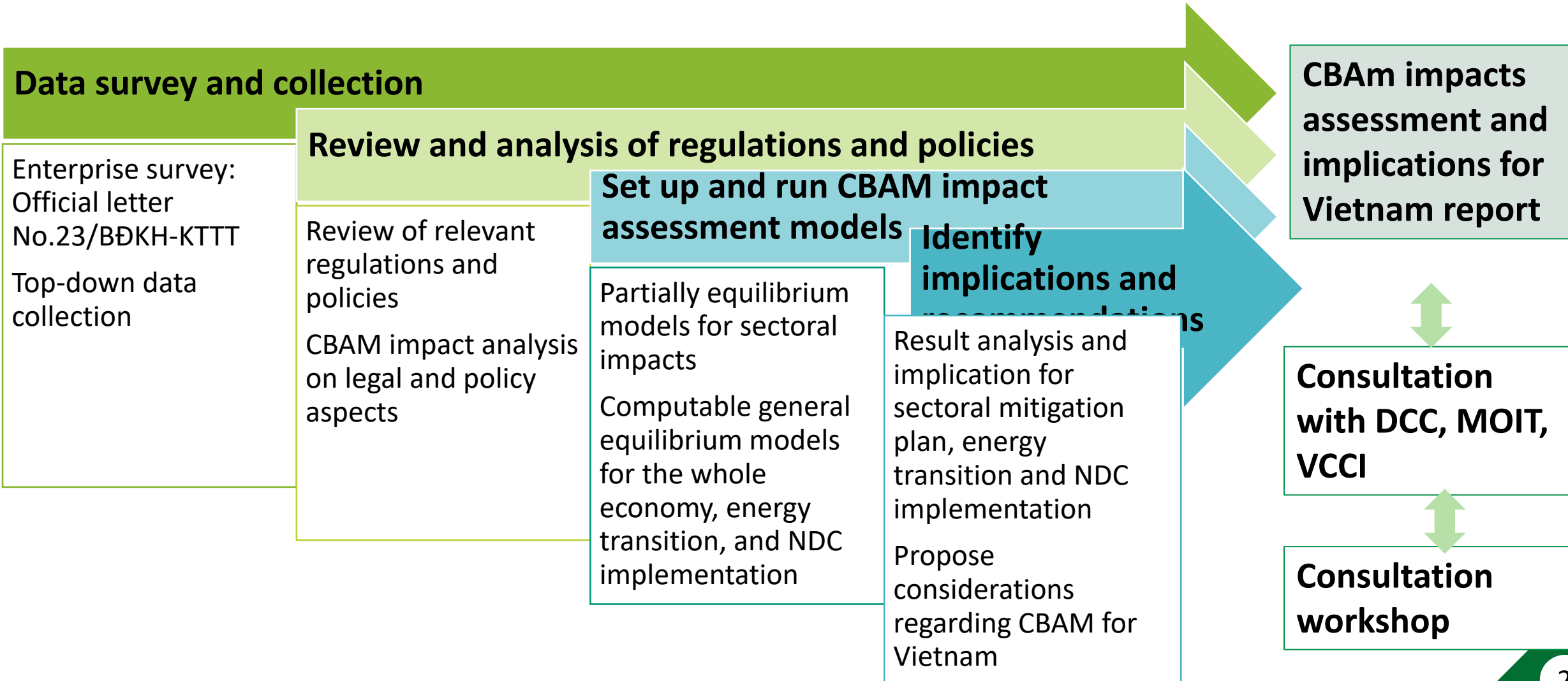
Technical Assistance Project on Impact Assessment of EU's Carbon Border
Adjustment Mechanism and Carbon Tax Policies for Vietnam

14/04/2023

Project progress – Overview of milestones of the project



Project progress – CBAM impact assessment and implications



Update on The EU CBAM REGULATIONS

According to the Provisional Agreement 13/12/2022



CBAM key milestones



July, 2021

European Commission adopted CBAM proposal

June, 2022

European Parliament adopted its position on the CBAM, introducing substantial amendments to the original proposal



December, 2022

The EU Parliament reached a provisional agreement with the EU Council on the CBAM



March, 2022

European Council adopted its general approach on the CBAM



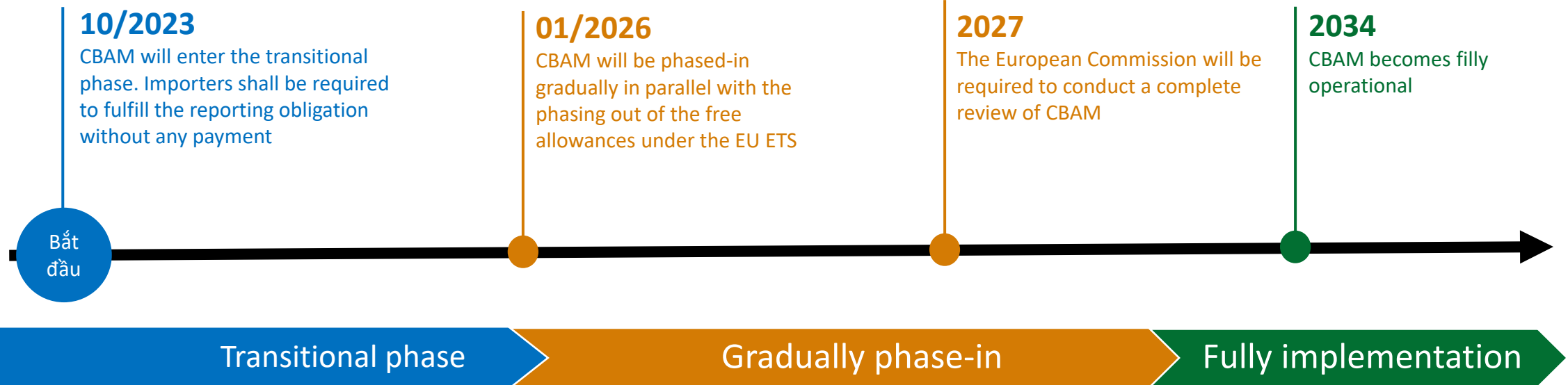
July, 2022

The negotiations between the European Commission, Council Parliament on the final text of the CBAM began

Mid of 2023

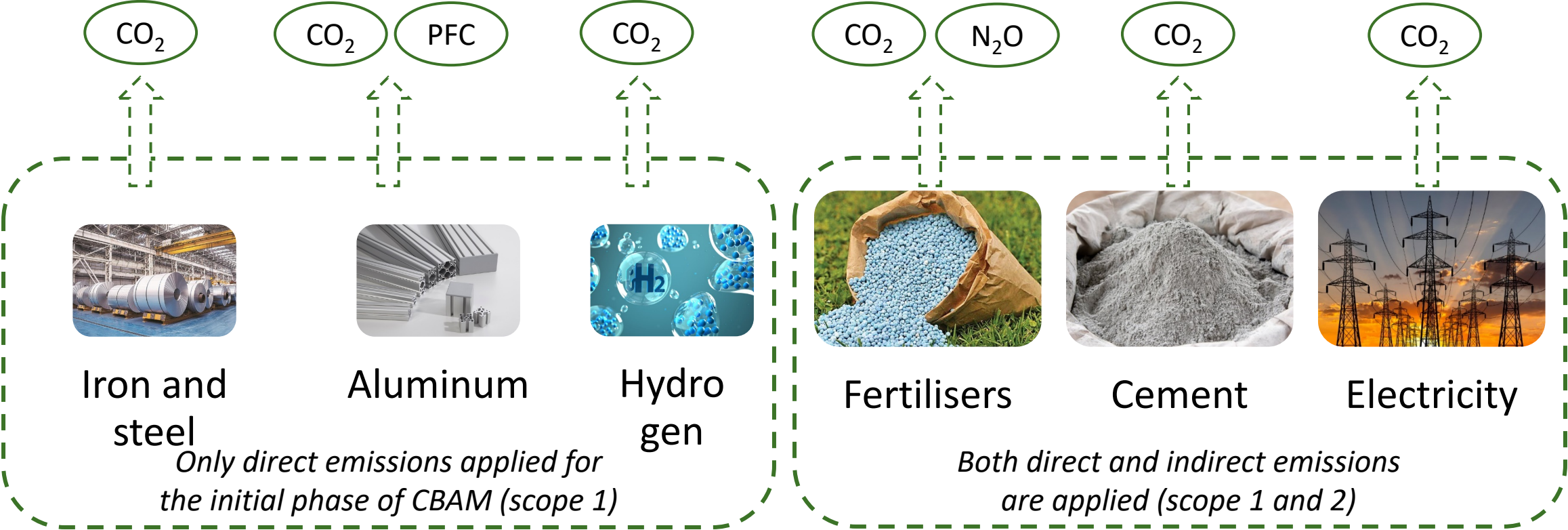
Needs to be endorsed by EU member states, and then approved by both the European Parliament and the Council before it comes into force.

CBAM implementation timeline



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

CBAM scope



Calculation of embedded emissions in goods

Actual emissions

Actual emissions are prioritized when accounting for embedded emissions of CBAM imported goods. Where actual emissions cannot be adequately determined, as well as in the case of indirect emissions, the embedded emissions will be determined by reference to default values.

Country-specific default values

Default values of the average emission intensity of each exporting country and for each of the goods shall be calculated, published and updated by European Commission based on most up-to-date and reliable information, including on the basis of information gathered during the transitional period, increased by **a proportionately designed mark-up**. This mark-up shall be determined in the next implementing acts adopted and shall be set at an appropriate level to ensure the environmental integrity of the mechanism.

Default values according to EU ETS's worst performing installations

These default values shall be based on the average emission intensity of **the X per cent** worst performing EU ETS installations for that type of goods. The value of X shall be determined in the implementing acts in the future.

Calculation of actual embedded emissions of goods

'simple goods' means goods produced in a production process requiring exclusively input materials and fuels having zero embedded emissions

$$SEE_g = \frac{AttrEm_g}{AL_g}$$

SEE_g: the specific embedded emissions of goods g, in terms of CO₂e per tonne

AttrEm_g: the attributed emissions of goods g

AL_g: the quantity of the goods produced in the reporting period in that installation

'complex goods' means goods other than simple goods

$$SEE_g = \frac{AttrEm_g + EE_{InpMat}}{AL_g}$$

SEE_g: the specific embedded emissions of goods g, in terms of CO₂e per tonne

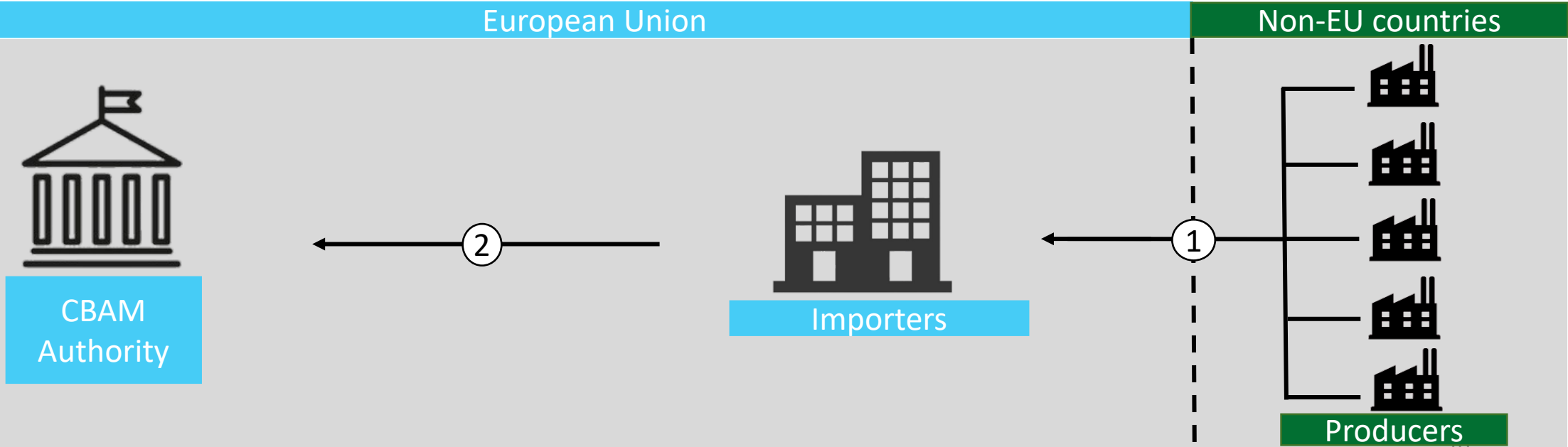
AttrEm_g: the attributed emissions of goods g

EE_{InpMat}: the embedded emissions of the **input materials** (precursors) consumed **relevant to the system boundaries** in the production process

AL_g: the quantity of the goods produced in the reporting period in that installation

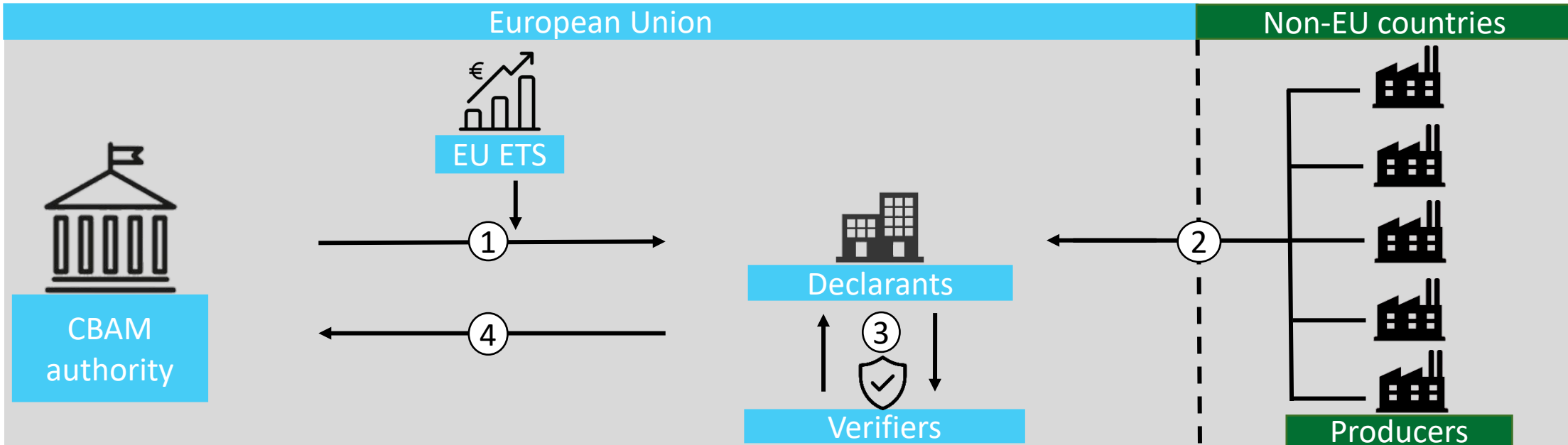
Reporting obligation during transitional phase

- **Applied period:** From October 2023 to December 2025
- Importers will have to submit a **CBAM report** containing information on the goods within scope of the CBAM
- The deadline for the report will be **one month after the end of each quarter**. The first report is thus due in **January 2024**.
- **CBAM reports need to include:**
 - (i) the quantity of each type of good expressed in megawatt-hours or tonnes;
 - (ii) total embedded emissions subject to clarification in the Commission's implementing acts and
 - (iii) any carbon price due in the country of origin for the embedded emissions in the imported goods, taking into account rebates and other forms of compensation (if any).



CBAM declarations and surrendering of CBAM certificates during operational period

- **Applied period:** From 2026 onwards
- Authorized **CBAM declarants** having **CBAM accounts** on CBAM registry declare and surrender **CBAM certificates** corresponding to the level of carbon emissions embedded in the products that they have imported in respect of the preceding calendar year, as verified by accredited bodies annually by the end of May to the CBAM registry.
- A CBAM declarant can represent one or more than one importers.
- Declarations must include:
 - (i) The quantity of each type of good expressed in megawatt-hours or tonnes;
 - (ii) The total embedded emissions in those goods that have been calculated and verified under the regulation;
 - (iii) The total number of CBAM certificates to be surrendered – corresponding to the quantity of emissions mentioned above minus any carbon price paid in the origin country; and
 - (iv) A copy of the verification report issued by an accredited verifier.



Uncertainties of CBAM

- **CBAM scope:** can be extended to other sectors
- **Calculation of embedded emissions in goods:** uncertainty in how to determined system boundaries, uncertainty in what input materials will be subject to embedded emission calculation, uncertainty in how default values will be calculated and adjusted.
- **Use of carbon credits for offsetting:** Uncertainty in whether carbon credits can be used for offsetting for CBAM certificates.

Thank you very much!

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