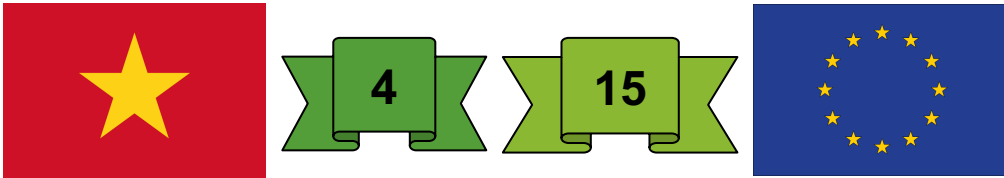


# SUMMARY OF CBAM IMPACT ASSESSMENT REPORT FOR VIET NAM

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

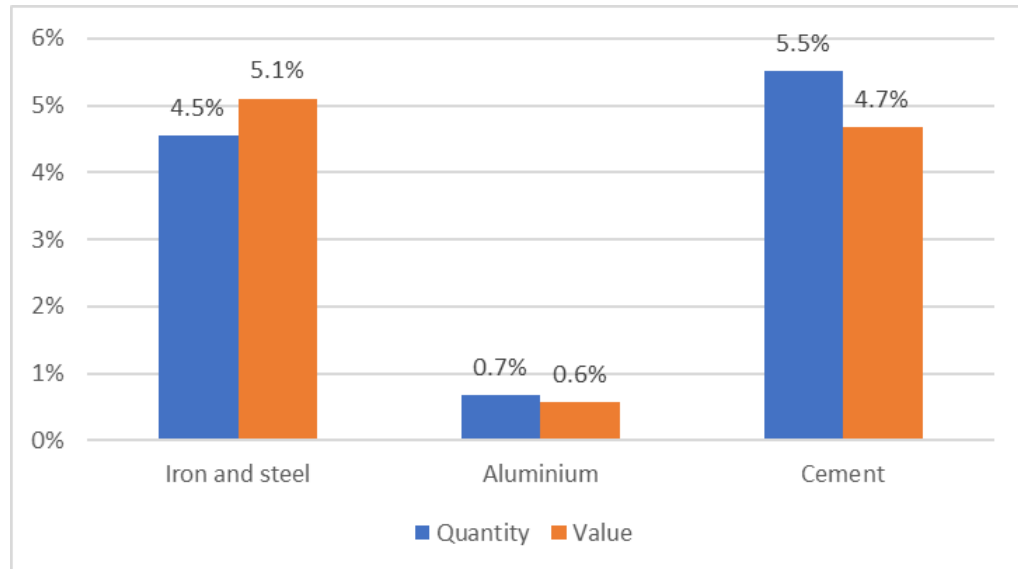
8 June 2023

# Context



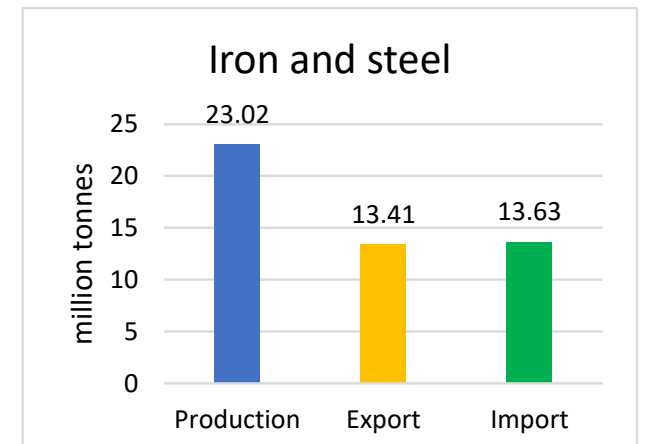
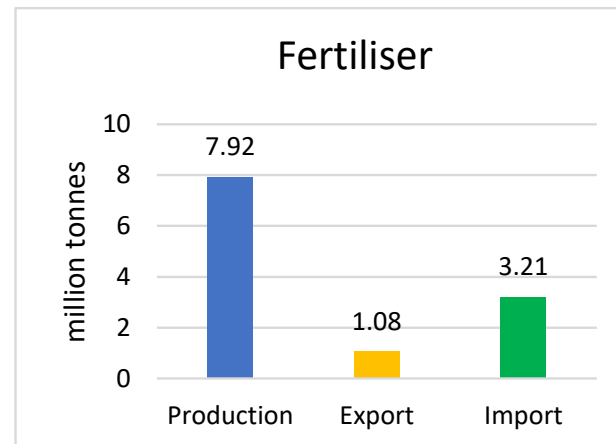
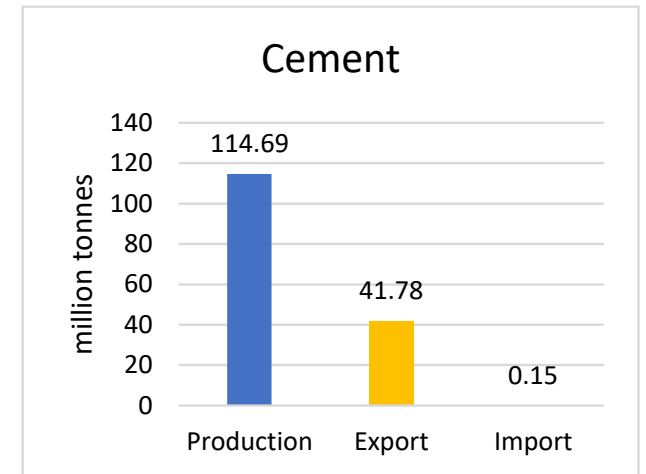
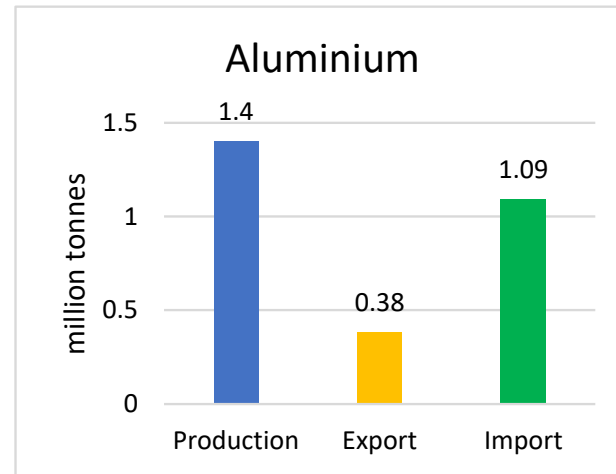
## Share of Viet Nam's CBAM products to EU market in 2021

Source: UNCOMTRADE (2023)



## Viet Nam's position in global flows of CBAM commodities

Source: FAO (2023), GSO (2022), Statista (2023b), UNCOMTRADE (2023), Worldsteel Association (2023)



# Aims and Research questions

- **Aims:**
  - to investigate the quantitative impacts of CBAM on Viet Nameese CBAM-target sectors and the economy as a whole
  - to provide policy impacts, implications, and recommendations
- **Research questions and methodologies**

Research questions	Methodologies
RQ1: What is the role of CBAM in a global context, and what design elements of the EU's CBAM remain uncertain?	Literature review
RQ2: Where is Viet Nam's position regarding climate change mitigation policies and CBAM?	Literature review
RQ3: What are the possible impacts on sectors directly impacted by CBAM?	Partial equilibrium modelling
RQ4: What are the possible overall impacts of CBAM on Viet Nam's economy?	General equilibrium modelling
RQ5: What possible roles will CBAM play in the Viet Nam energy transition process and NDC implementation?	General equilibrium modelling
RQ6: What are the policy implications of possible CBAM impacts?	Data analysis and legal impact assessment
RQ7: What are policy recommendations?	Strengths-Weaknesses-Opportunities-Threats (SWOT)

# Estimated CBAM impacts on targeted sectors

	Steel		Aluminium		Fertiliser		Cement	
	BAU	Reducing emission intensity	BAU	Reducing emission intensity	BAU	Reducing emission intensity	BAU	Reducing emission intensity
<b>Production output (%)</b>	-0.8 [-1.7, -0.0]	-0.8 [-1.6, -0.0]	-0.4 [-0.8, -0.0]	-0.4 [-0.8, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.1 [-0.2, -0.0]	-0.1 [-0.2, -0.0]
<b>Production output (million tonnes)</b>	-0.4 [-0.8, -0.0]	-0.4 [-0.8, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.1 [-0.3, -0.0]	-0.1 [-0.3, -0.0]
<b>Export values (%)</b>	-3.6 [-5.4, -0.4]	-3.5 [-5.3, -0.4]	-4.3 [-5.7, -0.7]	-4.3 [-5.7, -0.7]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.6 [-0.8, -0.2]	-0.6 [-0.8, -0.2]
<b>Export values (billion USD 2019 value)</b>	-0.7 [-1.1, -0.1]	-0.7 [-1.1, -0.1]	-0.1 [-0.1, -0.0]	-0.1 [-0.1, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]
<b>Export value to EU (%)</b>	-51.2 [-80.2, -3.7]	-49.5 [-78.3, -3.5]	-72.2 [-96.6, -10.2]	-70.9 [-95.9, -9.7]	-75.5 [-97.3, -13.6]	-74.2 [-96.8, -12.9]	-89.4 [-100.0, -23.2]	-89.0 [-100.0, -22.4]
<b>Export value to EU (billion USD)</b>	-1.1 [-1.7, -0.1]	-1.0 [-1.6, -0.1]	-0.1 [-0.1, -0.0]	-0.1 [-0.1, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]
<b>Emission amount (million tCO2)</b>	-0.9 [-1.8, -0.0]	-7.5 [-8.4, -6.7]	-0.2 [-0.5, -0.0]	-3.6 [-3.9, -3.5]	-0.0 [-0.0, -0.0]	-1.6 [-1.6, -1.6]	-0.1 [-0.2, -0.0]	-7.4 [-7.5, -7.3]

## Notes:

Positive numbers = gains in GDP; negative numbers = losses.

The estimated means are outside the brackets, and the 95% confidence intervals are inside the brackets.

# Economy-wide impacts

## Estimated impacts of CBAM in the EU on macroeconomic indicators

Indicators	No carbon pricing, No change in emission intensity		Carbon pricing, No change in emission intensity		Carbon pricing, Reduced emission intensity	
	2030	2035	2030	2035	2030	2035
<b>GDP (billion USD 2019 value)</b>	-0.1 [-0.2, -0.0]	-0.2 [-0.4, -0.1]	-6.4 [-9.3, -3.6]	-11.1 [-16.1, -6.6]	-5.0 [-7.8, -2.4]	-7.5 [-12.0, -3.4]
<b>GDP (%)</b>	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-1.0 [-1.5, -0.5]	-1.2 [-1.9, -0.7]	-0.8 [-1.3, -0.3]	-0.9 [-1.4, -0.4]
<b>Domestic fossil fuel price (%)</b>	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	+5.2 [+4.8, +5.6]	+5.3 [+4.9, +5.9]	+5.2 [+4.8, +5.6]	+5.3 [+4.8, +5.9]
<b>Employment (%)</b>	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	-0.5 [-1.0, -0.0]	-0.6 [-1.2, -0.0]	-0.5 [-0.9, -0.0]	-0.5 [-0.9, -0.0]
<b>Share of net export in GDP (%)</b>	-0.0 [-0.0, -0.0]	-0.0 [-0.0, -0.0]	+0.0 [+0.0, +0.0]	+0.0 [+0.0, +0.0]	+0.0 [+0.0, +0.0]	+0.0 [+0.0, +0.0]
<b>Carbon pricing revenue (billion USD 2019 value)</b>			+4.4 [+3.9, +4.9]	+6.0 [+5.5, +6.6]	+4.2 [+3.7, +4.7]	+5.5 [+4.9, +6.0]

Notes:

Positive numbers = gains in GDP; negative numbers = losses.

The estimated means are outside the brackets, and the 95% confidence intervals are inside the brackets.

# The benefits of the energy transition in Viet Nam's electricity sector under carbon pricing and CBAM

*Unit: million USD*

Year	Carbon pricing, no CBAM	Carbon pricing and CBAM
2026	-2 [-2, -1]	-1 [-2, -1]
2027	-3 [-5, -2]	-3 [-4, -1]
2028	+7 [+5, +10]	+8 [+6, +12]
2029	+11 [+7, +15]	+13 [+9, +18]
2030	+15 [+10, +21]	+18 [+12, +25]
2031	+21 [+14, +28]	+24 [+17, +33]
2032	+27 [+19, +37]	+32 [+22, +43]
2033	+35 [+24, +47]	+41 [+29, +55]
2034	+43 [+30, +59]	+51 [+36, +70]
2035	+54 [+37, +72]	+64 [+45, +86]
<b>Total 2026-2035 period</b>	<b>+209 [+143, +283]</b>	<b>+248 [+173, +336]</b>

Notes:

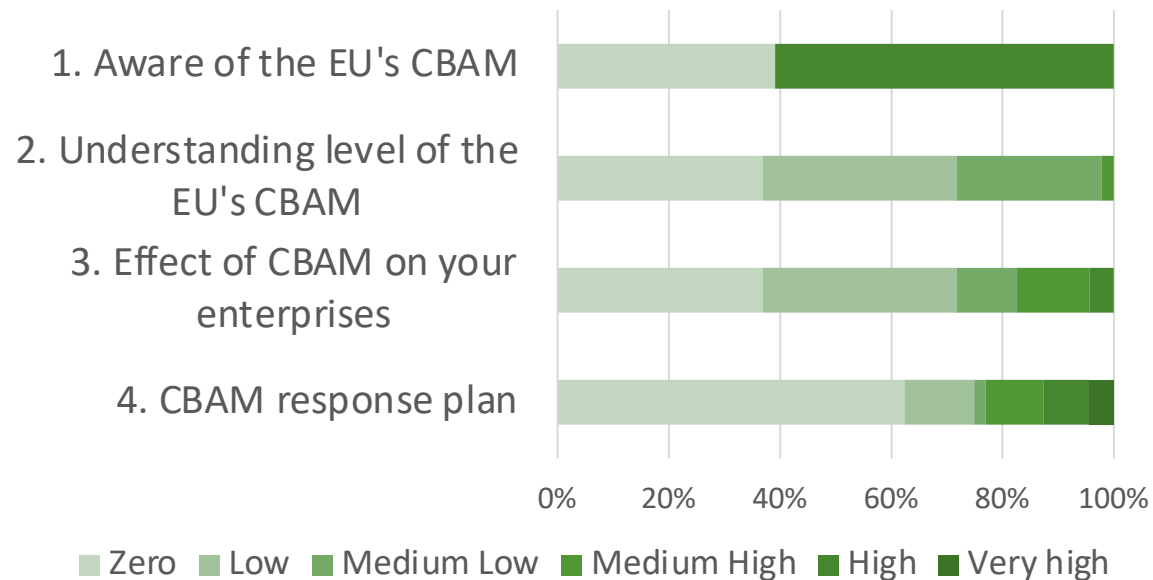
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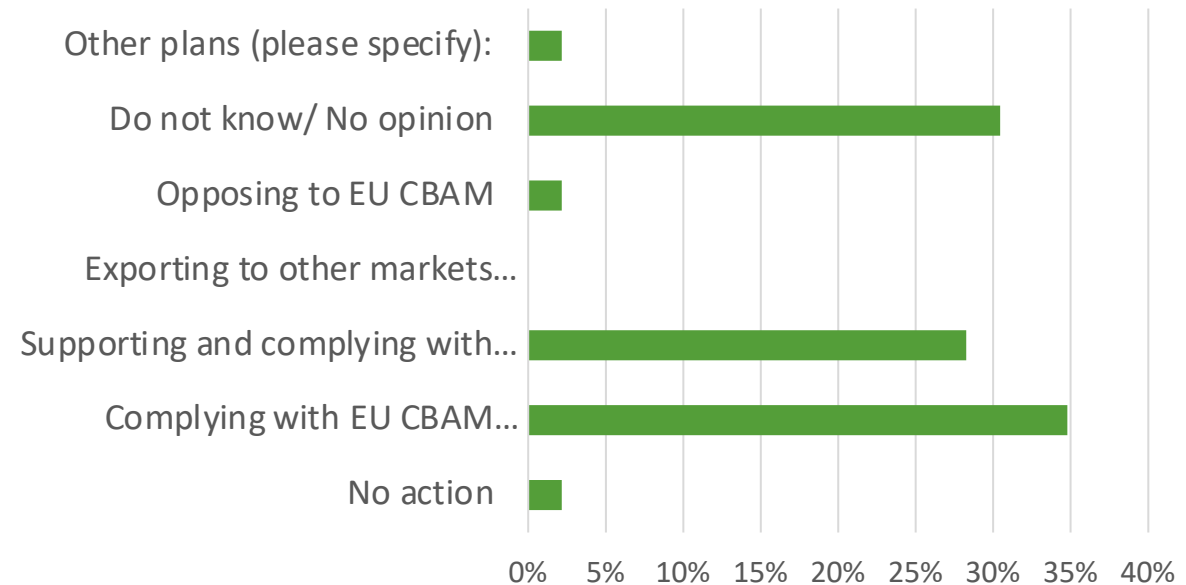
# Other Findings

## Enterprises' awareness on CBAM

Responses of surveyed enterprises to CBAM-related questions



Enterprises' choices for the most important plan for Viet Nam-based enterprises to respond to the EU's CBAM



# Highlight

- (i) The CBAM can have important impacts on the steel and aluminium sectors in Viet Nam.
- (ii) The impacts can be more significant, if CBAM extends to other sectors covered under EU-ETS, and other trade partners with Vietnam adopt CBM – similar policies.
- (iii) It will be difficult for Vietnam to achieve NDC target under the current trend, or even under the impacts of CBAM. Therefore, Vietnam should consider broader policies, such as carbon pricing or emission intensity reductions, to achieve net-zero emissions in 2050. The adoption of carbon pricing policies can help reduce CBAM impacts and gain revenue to further support mitigation actions in Vietnam.
- (iv) It is important to support CBAM-affected enterprises in initiating their activities to ensure compliance with CBAM, investing in innovation and research toward cleaner technologies, as well as enhancing monitoring and reporting capabilities.
- (v) There are numerous uncertainties regarding regulations, practical implementation requirements, responses and adopted strategies from other countries concerning the CBAM implementation. Consequently, it is crucial to closely monitor the evolution of CBAM rules and requirements and engage in constructive dialogues with the EU and other trading partners to contribute to shaping the discussion as well as to stay updated on any developments. A reasonable request would be the use of emissions credits instead of having to buy CBAM certificates.



# Thank you!

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