

Impact Assessment of EU's Carbon Border Adjustment Mechanism

Carbon Tax Design for Vietnam



Terms of Reference | 29.08.2022

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1 BACKGROUND

1.1 Southeast Asian Energy Transition Partnership

1. The Southeast Asia Energy Transition Partnership (ETP) brings together governments and philanthropies to work with partner countries in the region. We support the transition towards modern energy systems that can simultaneously ensure economic growth, energy security, and environmental sustainability. Enabling the transition toward greener energy systems will greatly contribute to the achievement of the UN's Sustainable Development Goals (SDGs) and the Paris Climate Agreement objectives.
2. ETP is initially focusing on Indonesia, the Philippines and Vietnam, which are the countries in the region with the highest energy demand, a substantial pipeline for fossil fuel-based projects, and a significant and cost-effective potential for renewable energy and energy efficiency. ETP provides High Level Technical Advisory Support, Holistic Support to Governments on financing and technical needs, capacity and skill development and facilitation of dialogues in all related areas.

1.2 Project background

3. The European Commission recently presented its proposal for a regulation establishing a Carbon Border Adjustment Mechanism (CBAM) as part of initiatives to accelerate the reduction of greenhouse gas (GHG) emissions and achieve carbon neutrality by 2050. CBAM aims to address the risk of carbon leakage caused by asymmetrical climate policies of non-EU countries. The CBAM would be complementary to the EU's Emission Trading Scheme (ETS), involving CBAM certificates issued to importers based on the integrated emissions intensity of the products they import into the Union and purchased at a price equal to that of ETS certificates.
4. The Commission presented its proposal for a regulation establishing a CBAM on 14 July 2021 with the first industrial sectors targeted including iron and steel, refineries, cement, organic basic chemicals, and fertilizers and other products will be added later.
5. Vietnam's goods exports to the EU market are expected to reach 40.12 billion USD in 2021, up about 14 percent from 2020¹. Although it aims to combat climate change, the EU's proposed CBAM will affect and impose substantial costs on Vietnam exports, especially if it is extended to other sectors in the future. The EU and Vietnam entered into a Free Trade Agreement (FTA) in 2019.
6. In October 2021, the Government of Vietnam issued the National Green Growth Strategy for 2021-2030, vision toward 2050. Accordingly, by 2030, the primary energy consumption per

¹ Vietnam Import-Export Report published by the Ministry of Industry and Trade (only in Vietnamese) <https://trungtamwto.vn/file/21599/baocaoxnk2021.pdf>

unit of GDP reduces by 1.0 – 1.5% annually on average for the 2021-2030 period; the proportion of renewable energy in the total primary energy supply reaches 15 - 20%. By 2050, the primary energy consumption per unit of GDP reduces by 1.0% annually on average for each 10-year period; the proportion of renewable energy in the total primary energy supply reaches 25 – 30%.

7. The development orientation of the key sectors and industries is clearly defined in the National Green Growth Strategy² as “to raise the performance and the efficiency in energy usage; reduce the level of energy consumption in manufacturing, transportation, commercial and industrial activities; ensure national energy security with an orientation towards synchronously developing sources of energy, thriftily utilizing domestic sources of energy and changing the composition of energy sources with an orientation towards reducing the dependency on fossil energy; promote efficient utilization and raise the proportion of renewable energy sources/new energy forms in the country’s production and consumption of energy.”
8. To implement the Paris Agreement under the United Nations Convention on Climate Change (UNFCCC) in Vietnam, the first Nationally Determined Contribution (NDC) of Vietnam was submitted in September 2015. In 2020, the Government of Vietnam updated its first NDC. In the updated version, the unconditional Greenhouse Gas (GHG) emission reduction targets by 2030 compared to its business as usual (BAU) scenario increased to 9% (previously 8%) and further 27% (previously 25%) with international support. The commitments, in equivalence, require efforts to unconditionally reduce 83.9 million tCO₂eq and 250.8 million tCO₂eq with international support.

Table 1. GHG Inventory in 2014 and BAU scenario to 2030 (in Millions tCO₂eq)

| Year | Energy | Agriculture | Waste | LULUCF | IP | Total | Share of energy sector |
|------|--------|-------------|-------|--------|-------|-------|------------------------|
| 2014 | 171.6 | 89.8 | -37.5 | 21.5 | 38.6 | 284.0 | 60.4% |
| 2020 | 347.5 | 104.5 | -35.4 | 31.3 | 80.5 | 528.4 | 65.8% |
| 2025 | 500.7 | 109.2 | -37.9 | 38.1 | 116.1 | 726.2 | 68.9% |
| 2030 | 678.4 | 112.1 | -49.2 | 46.3 | 140.3 | 927.9 | 73.1% |

Source: Vietnam’s Updated First NDC, 2020.

9. In the updated NDC, the government estimates the total of GHG emissions are 528.4 million tons of CO₂ in 2020 and 726.2 million tons in 2030. Energy is considered as the biggest contributor to GHG emissions in Vietnam, accounting for about 65.8% of the total national GHG emissions in 2020 and 73.1% by 2030. Therefore, out of the 75 mitigation options for Vietnam to achieve the Updated First NDC’s targets, 33 options are in the energy sector, 10 of which are related to the use of renewable energy in the national context. Thus, the

² <https://en.baochinhphu.vn/national-green-growth-strategy-for-2021-2030-vision-towards-2050-11142515.htm>

development and deployment of renewable energy in Vietnam is crucially important for Vietnam to meet its NDC's targets.

10. In November 2021, at COP26, Prime Minister Pham Minh Chinh announced strong commitments to tackle climate change. He emphasized that with Vietnam's own resources, along with the co-operation and support from the international community, especially developed countries, both in terms of finance and technology transfer, including implementing mechanisms under the Paris Agreement, Vietnam will develop and implement strong emissions reduction measures to achieve net-zero emissions by 2050. Vietnam also agreed to support a number of important statements and initiatives on protecting forests, shifting to clean energy, supporting adaptation for local communities, and methane reduction. The commitment of net-zero emissions and joining the methane commitment sent a strong signal to the international community, opening the door for global finance for low-emission development, which is also an opportunity for Vietnam's development.
11. The Prime Minister established a National Steering Committee for implementation of the commitments at COP26 on 21 December 2021 which includes the Prime Minister as the chairman, a Deputy Prime Minister as a vice chairman, and members who are ministers of different line ministries. The Steering Committee functions to organize inter-sectoral coordination and to support the Prime Minister in dealing with curitlial and inter-sectoral issues related to the implementation of Vietnam's commitments at COP 26.
12. In this direction, the National Climate Change Strategy up to 2050 was approved by the Prime Minister on 26 July 2022 with the overall objective to actively adapt to climate change and mitigate GHG emissions in order to achieve the net zero target. According to the Strategy, Vietnam will reduce the total GHG emissions by 43.5% compared to BAU by 2030 and reach the emission peak in 2035 and achieve net zero emission by 2050. The energy sector and the industrial processes are expected to reduce by 32.6% and 38.3% of the emissions respectively by 2030 and by 91.6% and 84.8% of the emissions respectively by 2050.
13. According to the 2020 Law on Environmental Protection, Vietnam plans for the establishment and development of the domestic carbon market which includes trading of emission allowances and carbon credits. Decree No. 06/2022/ND-CP of the Government provides the roadmap in which Vietnam will develop the regulatory framework and pilot the trading scheme from now to 2027 (pilot operation of the trading platform from 2025) and officially operate the emission trading scheme from 2028. The design of the emission trading scheme is under development with support from the World Bank through the Partnership for Market Implementation Project in Vietnam.
14. Together with the emission trading scheme, carbon tax is considered as an effective carbon pricing instrument for Vietnam to achieve the net-zero target. The application of carbon tax in

Vietnam, however, requires a thorough study to develop an efficient design and to avoid duplication with the existing tax scheme and in line with trading agreements that Vietnam has signed.

2 PROJECT DETAILS

2.1 Rationale

15. The Ministry of Natural Resources and Environment (MONRE) is the National Focal Point implementing the UNFCCC, the Kyoto Protocol and the Paris Agreement and other relevant international treaties on climate change. In the third meeting of the National Steering Committee for implementation of COP26's commitments in Viet Nam, MONRE is assigned by the Prime Minister to study and propose the carbon tax system for Viet Nam.
16. The Department of Climate Change (DCC) is an organization directly under the MONRE, with the function of advising and assisting the Minister in state management of climate change. The DCC is coordinating with relevant government line ministries, agencies and stakeholders in a joint effort to reduce GHG reduction, promoting the development of the carbon market and the low carbon economy through developing and enforcing appropriate policies and regulations.
17. Export of goods to the EU accounts for about 12% of total turnover from export of Vietnam. The CBAM, if adopted, will affect Vietnam. Thus, it is necessary to understand how the CBAM works, assess its impacts on Vietnam industries and economy and discuss how the national policies on trade negotiations, decarbonisation and energy transition should respond. The assessment of CBAM on energy intensive export products of Vietnam shall provide the government of Vietnam a clear view and quantification of the CBAM's impacts on the key industries and the whole economy, which enables the Government of Vietnam to formulate effective legal framework and policies to accelerate its own decarbonization efforts and energy transition from fossil fuel to renewable energy.
18. The ETP's support shall provide the key beneficiaries, including MONRE, MOIT, MOF and MPI a clear vision of the CBAM's impacts on different energy-intensive industries, recommending legal framework and institutional mechanism for the development of decarbonization strategy and the introduction of carbon tax in Vietnam. A better understanding of CBAM and its impacts shall also encourage industries to apply energy efficiency measures in their processes and gradually reduce their dependence on fossil fuel.

2.2 Objectives

19. The study shall assess and quantify the impacts of CBAM on export products, energy transition, national economy and implementation of NDC of Vietnam, and analyze the

implications on the establishment of the domestic carbon market and the design of carbon tax system in Vietnam in order to provide recommendations to minimize the negative impacts, assess the suitability and develop roadmap and the design to apply carbon tax system in Vietnam.

2.3 Expected outputs and outcomes

Table 2. Expected Outputs and Outcomes

| | Outputs/project | Outcomes ³ |
|---|--|--|
| 1 | A comprehensive study assessing and quantifying the impacts of CBAM on export products (especially energy-intensive industries), energy transition, national economy and implementation of NDC of Vietnam; and providing recommendations to minimize the negative impacts and contribute to the development of the sectoral mitigation plan and carbon market (Deliverable 1). | The activity shall support the Government of Vietnam to develop appropriate policies and regulations which push the country's transition towards clean energy consumption that simultaneously ensures economic growth, energy security and environmental sustainability and minimizes the potential negative impacts of CBAM on the Vietnamese economy; increasing the competitiveness of exports of Vietnamese low-carbon goods. On the other hand, the policies recommended by the study, when realized, shall increase the deployment of renewable energy and energy efficiency in key industries of Vietnam. |
| 2 | An in-depth study analyzing the implications and providing recommendations on the roadmap and the design of the carbon tax system in Vietnam (Deliverable 2). | |
| 3 | Stakeholder consultations and workshops to introduce and consult the findings/recommendations with relevant ministries, local government, public and private enterprises, associations and NGOs. | |

2.4 Scope

20. The ETP's technical assistance will provide an assessment and a quantification of the CBAM's impacts on energy-intensive export products, implementation of NDC of Vietnam and the economy of Vietnam, its legal and institutional implications on the design of decarbonization policies, domestic carbon market and carbon tax. In-depth consultations with relevant ministries, public and private enterprises, associations and NGOs shall be conducted to ensure a multi-view approach in analysis and policy recommendations.

³ The expected outcomes are in line with the ETP's Result-Based Management Framework and its short-term outcomes 1.1, 1.2, 1.3 and 4.1

21. The Project, to be delivered within a 15-month timeframe. The first deliverable (CBAM Assessment) will be developed by end of December 2022, which will help the country ready for the transition period (2023-2026) of the CBAM implementation. The second deliverable, which is built based on the stocktake information and data collected during the CBAM assessment, will be developed by September 2023 for the government and national assembly's review and decision.

2.5 Description of Specific Activities and Deliverables

22. The following Deliverables will be submitted by the Consultant, with the specific activities listed:

a) **Deliverable 1: Inception Report**

The Inception Report will contain, as a minimum,

- i. Executive Summary
- ii. Project Methodology
- iii. Project Organization Chart with key personnel and contact information, roles and responsibilities
- iv. Gantt Chart outlining key activities and timeline
- v. Key Stakeholders, mapping the government and development partners relevant to this work
- vi. Donor Mapping - a list of the donor partners working in this space, an overview of their programs, listings of preceding work which can form the input of this work and highlighting of any opportunities for collaboration or risk of overlap
- vii. Stakeholder Engagement Plan, including consultation meetings and workshops with relevant ministries, financial institutions, associations, NGOs and enterprises
- viii. Risks, Challenges and Mitigative Measures

b) **Deliverable 2: Draft CBAM Impacts Assessment Report**

Prepare a Draft technical report on the impacts of CBAM on each group of export products (especially energy-intensive industries), energy transition, national economy and low-carbon economy roadmap of Vietnam in terms of legal, financial and GHG emission aspects; Providing recommendations to minimize the negative impacts and on development of the decarbonization strategy and carbon market, directing finance for green productions, energy efficiency and renewable energy investments.

This Report will require, as a minimum:

- i. Collect, survey and compile a national database system on import and export activities of goods to and from the EU by engaging with, as a minimum, MOIT and VCCI.

- ii. and quantify CBAM impact scenarios on each group of export products, energy transition, implementation of Vietnam's NDC and the whole economy in terms of legal, financial and GHG emission aspects
 - iii. Review and analyze the existing policies and legal framework on trade agreements/negotiations, decarbonisation and development of domestic carbon market in relation with CBAM
 - iv. Provide recommendations for developing sectoral mitigation plan and trading negotiation policies and strategies to minimize the negative impact and enhance the positive impact
- c) **Deliverable 3: Final CBAM Impacts Assessment Report**
- i. Incorporate comments received through stakeholder engagements and from ETP on Deliverable 2 and compile into a final report.
- d) **Deliverable 4: Draft in-depth study and policy recommendations for carbon tax design, prepared for stakeholder consultation**
- i. Stocktake, review and analyze the national/international policies and legal framework related to carbon tax design.
 - ii. Analysis of the implications and provide the lessons learned and recommendations on developing implementation roadmap and designing a carbon tax system in Vietnam
 - iii. Present policy recommendations and a roadmap for the development of the carbon tax design
- e) **Deliverable 5: Consultation Workshops Delivery and Report**
- i. Organize consultation with relevant stakeholders via interviews and workshops centered around Deliverable 4.
 - ii. Prepare a report summarizing the consultation workshops attaching slide-sets and attendance register as an Annex
- f) **Deliverable 6: Final Report on the in-depth study and policy recommendations for carbon tax design**
- i. Final Report incorporating feedback gathered from Deliverable 4 and 5
- g) **Grand Final Report**
- i. Final work, combining the two main deliverables, CBAM Impacts Assessment Report and Carbon Tax Design and Recommendations.

2.6 Beneficiaries & Impact

23. MONRE and DCC are direct beneficiaries of the Project. As the leading government agency of Vietnam in implementation of Paris Agreement and net-zero commitment implementation, MONRE/DCC shall receive a comprehensive analysis of the CBAM's impacts and policy recommendations for development of carbon tax.

24. **MOIT:** MOIT is the direct beneficiary of the ETP's support. As the MOIT is responsible for development of industries, import and export activities, a clear understanding of CBAM and its legal and institutional implications shall support the ministry to develop sectoral mitigation plan, appropriate policies for the industrial sectors to encourage enterprises to apply energy efficiency measures and to reduce their dependence on fossil fuels while maintaining the economy's competitiveness.
25. **Private sector:** Private sector is the direct beneficiary of the ETP's support. CBAM is encouraging the enterprises in Vietnam, particularly the exporters, to change their main sources of energy from fossil fuel to renewable energy and to apply energy efficiency exercises to their processes. CBAM, on one hand, promotes greener production and, on the other hand, eliminates the advantages of using cheap-but-polluting energy sources. As ETP's support provides the enterprises with comprehensive understanding of CBAM's impacts and implications as well as supports the government of Vietnam to develop appropriate legal frameworks, the enterprises shall benefit from a quick and effective energy transition while maintaining their competitiveness.
26. **The Government of Vietnam:** Vietnam support to the ministries and private sector shall contribute to the Government's efforts to achieve climate change targets in the Paris Agreement and to meet the net-zero emission commitment by 2050.

2.7 Existing Support and Programs

27. So far, no support has been provided to the Government of Vietnam in terms of CBAM and its impacts. The carbon tax scheme has been examined generally under the Partnership for Market Readiness funded by the World Bank from 2015 – 2020, which is implemented with MONRE; a short report on carbon tax namely "Opportunities for carbon pricing in Vietnam"⁴ was published in 2018 under the project "Growth and Sustainable Development in Vietnam" which is being implemented by the Ministry of Planning and Investment of Vietnam within the framework of partnership with the United National Development Programme (UNDP) and United States Agency for International Development (USAID). The study implemented by the UNDP and USAIDS is a good reference for the ETP's study on carbon tax design elements, including scope and coverage, point of taxation, tax administration and associated infrastructure and tax rate.
28. ADB has Article 6 Support Facility (A6SF) which provides technical, capacity building, and policy development support to developing member countries (DMCs) including Viet Nam to enhance their capacity and preparedness to participate in, and take advantage of, international carbon markets emerging under the Paris Agreement. The project focuses on

⁴ https://drive.google.com/file/d/1xrRYYW4fzaVVu8bFs8U7Kx0kCT2H_-3a/view?usp=sharing

the international carbon market instead of domestic carbon pricing instruments like ETS, carbon tax.

3 IMPLEMENTATION & TIMELINE

3.1 Implementation Modality & Arrangements

29. The TA will require the services of an experienced consultant team with a strong international experience in economic simulation, carbon market and national knowledge and expertise of economic simulation, survey and data collection on both national and enterprises levels, establishment of national database on enterprises, GHG emission and GHG emission reduction, carbon market, carbon trading, energy efficiency, energy transition matters combined with a strong research and advisory background on Vietnam’s trading agreements and policies, GHG accounting at both national and enterprises levels and a good network with enterprises and governmental authorities.
30. The consultant is expected to be able to expose relevant government agencies, enterprises and other stakeholders to international experience in GHG reduction in manufacturing industries and to recommend appropriate policy framework for the government of Vietnam to maintain the country’s advantages while enabling acceleration toward energy transition.
31. The procurement method of Request for Proposals (RFP) will be employed. This RFP will be published on the UN Global Marketplace website (UNGM) for a duration of minimum 21 days, upon which an evaluation panel, including the required expertise, will review and select the related bids. After internal approval by the UNOPS contracts committee, the result of this process will be a contract for services to the selected bidder.

Table 3. Proposed timeline for project activities

| Activities | M 1 | M 2 | M 3 | M 4 | M 5 | M 6 | M 7 | M 8 | M 9 | M 10 | M 11 | M 12 | M13 | M14 | M15 |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|------|------|-----|-----|-----|
| 1. Mobilization and Inception Report | | | | | | | | | | | | | | | |
| 2. Collect, survey and compile the national database system on import and export activities of goods to/from EU | | | | | | | | | | | | | | | |
| 3. Analyze and quantify CBAM impact scenarios on each group of export products, energy transition, and the whole economy | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 4. Stocktake, review and analyze the national/international policies and legal framework related to CBAM | | | | | | | | | | | | | | | |
| 5. Draft technical report on the impacts of CBAM on each group of export products (especially energy-intensive industries), energy transition, national economy and low-carbon economy roadmap of Vietnam in terms of legal, financial and GHG emission aspects; Providing recommendations to minimize the negative impacts and on development of the decarbonization strategy and carbon market, directing finance for green productions, energy efficiency and renewable energy investments | | | | | | | | | | | | | | | |
| 6. Review and comments of CBAM Impacts Assessment Report | | | | | | | | | | | | | | | |
| 7. Final report of CBAM Impacts Assessment Report | | | | | | | | | | | | | | | |
| 8. Stocktake, review and analyze the national/international policies and legal framework related to carbon tax design | | | | | | | | | | | | | | | |
| 9. Draft report on analyses of implications and provide recommendations on the policy options and the design of carbon tax system in Vietnam | | | | | | | | | | | | | | | |
| 10. Review and comments of Carbon Tax Design and Recommendations | | | | | | | | | | | | | | | |
| 11. Final report of Carbon Tax Design and Recommendations | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 12. Stakeholder consultation and capacity building on the findings and study's results with relevant ministries, public and private enterprises, associations and NGOs. | ■ | □ | ■ | □ | ■ | ■ | □ | □ | □ | □ | □ | □ | □ | ■ | □ |
| 13. Grand final report (combining two deliverables) | □ | □ | □ | □ | □ | □ | □ | □ | □ | □ | □ | □ | □ | □ | ■ |

3.2 Assumptions

- 32. The implementing organization will incorporate global best practices and latest technological inputs and concepts based on a highly developed, detailed and analytical assessment of the current data.
- 33. The Project assumes cost-free, easy and unobstructed access to existing data of energy-intensive export enterprises, energy consumption, availability of the pertinent staff for discussion on the data and analysis to the Project purposes, and where possible, availability of the Government and its agencies involved in GHG reduction and energy efficiency. Where this is not possible, the analysis aims to identify the underlying assumptions based on the publicly available results. The Project will make use of ETP's convening capacity and partnerships with its aligned programs and engage with the stakeholders economy-wide, particularly in the local context and based on the specific factors.
- 34. ETP Secretariat manages the selection of the experts and implementation of the Project. ETP Secretariat will help coordinate engagement with the Government parties and country authorities on the implementation of and process of this study.
- 35. The Project will capitalize on the latest information of the recent technological and energy related developments available globally and developments in fossil fuels abatement policy, as well as reflect their impact on prices and tariffs, among others efficiency improvements. The Project works in the context of Vietnam but will draw on global trends and examples
- 36. The Project will work under the overall guidance of ETP Steering Committee, its Secretariat and Advisory Committee. The implementing entity will prepare the reports with the relevant materials in publishable quality, through ETP Secretariat, Interim Report, and Final Reports. All reports will be reviewed and accepted by the ETP Secretariat upon the incorporation of its comments with the objective to improve the comprehensiveness and quality of the final Review. The Implementing organization will develop effective methods for collecting comments and suggestions in a speedy fashion and incorporate these into the proposal, as deemed quality improving.

37. The Project will ensure that it accounts for environmental and social impacts in the context of the terms of reference and identifies environmental and social costs and benefits within the Project. Furthermore, the Project shall provide a response that demonstrates its commitment to support gender equality and women’s empowerment through its operations.

3.3 Risks and Mitigation

38. The ETP team and the DCC had discussions on the technical assistance activities and confirmed that there is no risk of overlapping with activities implemented by other donors in Vietnam. On the other hand, during the project design and development stage, ETP and DCC will work closely to ensure that the project addresses the needs of DCC and in line with the Government’s regulations. The two teams will jointly provide proper justifications to any questions coming from the relevant authorities, which secure the timely approval of the project.

3.4 Communication and Dissemination Plan

39. During the project implementation, DCC will take the lead in coordinating the government agencies and organizations relevant to the energy sector. The project findings and reports will be communicated and disseminated through the workshops, seminars and training with participants of the high-level government agencies and relevant public and private sector stakeholders and local news agencies. The report will also be publicly available on ETP and DCC’s websites.

40. The deliverables of the project will be published in DCC and ETP’s websites and other communication channels. The project will interact with the Government's coordination mechanisms as well as the Vietnam Energy Partners Group (VEPG) to ensure coordination and transparency.

Table 4. Deliverables (Please refer to the Description of Specific Activities and Deliverables for details of each task.)

| Task/Deliverables | Distribution | Delivery Dates |
|---|---------------------|------------------------------------|
| Deliverable 1: Inception Report | ETP, DCC | 4 weeks after contract start date |
| Deliverable 2: Draft CBAM Impacts Assessment Report | ETP, DCC, MOIT | 16 weeks after contract start date |
| Deliverable 3: Final CBAM Impacts Assessment Report | ETP, DCC, MOIT | 24 weeks after contract start date |

| | | |
|--|---|------------------------------------|
| Deliverable 4: Draft in-depth study and policy recommendations for carbon tax design | ETP, DCC, MOIT | 40 weeks after contract start date |
| Deliverable 5: Consultation workshops on draft deliverable 4 and workshop report | ETP, DCC, MOIT, MPI, MOF and private sector (VCCI, enterprises) | 45 weeks after contract start date |
| Deliverable 6: Final Report on Carbon Tax Design and Recommendations. | ETP, DCC, MOIT, MPI, MOF | 52 weeks after contract start date |
| Deliverable 7: Grand Final Report | ETP, DCC, MOIT, MPI, MOF and private sector (VCCI, enterprises) | 60 weeks after contract start date |

41. The reports submitted as deliverables, once approved and accepted for payments, must be translated into Vietnamese for dissemination to local authorities and stakeholders. Each deliverable must also be supplemented with a catchy powerpoint presentation.

3.5 Sustainability & Gender Diversity

42. The Project will adopt sustainability measures and mechanisms to extend the Project's objectives beyond the present administration. These will require stakeholder support, budget allocation from the involved agencies, and adoption of policies to institutionalize the design of the reserve market. The involvement of DCC's officials from the start of the Project is essential to carry over the Project into the next administration. In addition, information and communication of the Project to constituents and beneficiaries shall also secure the commitment of the stakeholders.
43. The Project is committed to the promotion, enhancement and development of gender sensitivity of its implementation activities. The Project shall also ensure gender balance among the officials designated into the inter-departmental committee. Emphasis shall be given to policy measures that shall not discriminate or marginalize any personalities and groups based on gender.

4 QUALIFICATION AND EXPERIENCE OF THE SERVICE PROVIDER

44. The bidder should fulfill the following requirements:

- a) The company should have a minimum of 5 years of continuous experience in delivering similar projects in the past with a track-record of success. What is considered as relevant experience are the following:
 - i) Climate policy/carbon pricing/market-based instruments/relevant similar fields
 - ii) Climate change mitigation/low-carbon economy
 - iii) Impact assessment
- b) Offeror must provide a minimum of two (2) customer references from which similar services have been successfully provided, within any of the last 5 years

45. The team proposed should meet the following requirements:

- a) The **lead** individual should have the following qualifications:
 - i) Education: Master's Degree or higher education in Economics, Environment, Climate Change, Development Policies, Social Sciences or related fields is required.
 - ii) Work Experience
 - A minimum of 10 year- experience in climate change policies, development policies, impact assessment, GHG emissions, GHG emission reductions for industrial sectors;
 - Professional experience in carbon pricing/market-based instruments in Viet Nam is preferred;
 - Previous experience in data survey, GHG emission/economic modeling are preferred;
 - Previous successful involvement with, and good knowledge of, donor, government, private sector and civil society is desired;
 - Knowledge of the energy and climate landscape, energy transition, political, economic and social situation and export industries in Vietnam is desired;
 - Computer literacy in Microsoft packages (MS Word, MS Excel, MS Access, MS Power Point) is required.
- b) The **project team members** should have the following qualifications:

| | |
|--------------------------|---|
| 1. Climate Change Expert | Master degree in environment, climate change/ relevant subject with additional 10 years of experience in climate change mitigation, carbon pricing/market-based instruments. |
| 2. Law/Policy Expert | Master degree in laws, development policies or related field with an additional 10 years of experiences in development of legal documents in economics, environment, climate change or trade agreements |

| | |
|-----------------------------|---|
| 3. Economics/Trading Expert | Master degree in economics, foreign trade or related field with additional 10 years of experiences in economics impact assessment for policy development or trade negotiations |
| 4. Data Modeling Expert | Bachelor degree in environment, climate change, economics, development studies, social science or related field with 3 years of experience in data collection and data modeling for impact assessments. |

c) The overall team is expected to have the following qualifications:

- i) Extensive experience in climate change mitigation policy and regulatory advisory in market-based mechanisms, carbon tax, national carbon market as well as energy transition and GHG mitigation in Vietnam or similar country context within the region .
- ii) Strong knowledge and experience of data modeling, developing economic simulation, scenario development for policy and regulatory assessment and development for international carbon pricing instruments, such as carbon tax, domestic ETS and offset mechanism.
- iii) Experience in data collection, compilation and validation on both national and enterprise levels to establish the national database on export goods is desired.
- iv) Knowledgeable with trading agreements and policies between Vietnam and the EU, such as the EVFTA, and other countries as well as commercial agreement negotiation and import/export activities between Viet Nam and international trade partners is desired.
- v) Experience in conducting GHG accounting and estimation at both national and enterprise levels using different approaches and methodologies is desired.
- vi) Proven work experience with MONRE, other governmental authorities and industrial sectors is a preference

46. Considering the importance of close coordination with stakeholders in Vietnam, it is expected that the team proposed consists of consultant(s) who understands the local context in Vietnam.

47. The bidder should also assign a Contract Manager who would liaise on the non-technical part of the contract implementation, including coordination, liaising with key counterparts, liaising with UNOPS on submission of invoice and payment-related documents.

5 EVALUATION CRITERIA

48. Eligibility and Formal Criteria

The criteria contained in the table below will be evaluated on Pass/Fail basis and checked during Preliminary Examination of the proposals.

| Criteria | Documents to establish compliance with the criteria |
|---|---|
| 1. Offeror is eligible as defined in Instructions to Offerors, Article 4 | <p>A. Form A: Joint Venture Partner Information Form, all documents as required in the Form, in the event that the Proposal is submitted by a Joint Venture.</p> <p>B. Form B: Proposal Submission Form</p> |
| 2. Completeness of the Proposal. All documents and technical documentation requested in Instructions to Offerors Article 10 have been provided and are complete | A. All documentation as requested under Instructions to Offerors Article 10, Documents Comprising the Proposals |
| 3. Offeror accepts UNOPS General Conditions of Contract as specified in Section IV | A. Form B: Proposal Submission Form |

49. Qualification Criteria

The criteria contained in table below will be evaluated on Pass/Fail basis and checked during Qualification Evaluation of the proposals.

| Criteria | Documents to establish compliance with the criteria |
|--|---|
| 1. The company should have a minimum of 5+ years of continuous | A. Certification of incorporation of the Offeror |

| | |
|--|---------------------------------------|
| experience in delivering similar projects in the past with a track-record of success. | B. Form F: Performance Statement Form |
| 2. Offeror must provide a minimum of two (2) customer references from which similar services have been successfully provided, within any of the last 5 years | A. Form F: Performance Statement Form |

50. Technical Criteria

Technical evaluation will be carried out to bids that pass the eligibility, formal and the qualification criteria, with requirements as follows:

- The maximum number of points that a bidder may obtain for the Technical proposal is 80. To be technically compliant, Bidders must obtain a minimum of 56 points
- Minimum pass score: 70% of maximum 80 points = 56 points

Technical proposal points allocation

| Section number/description | | Points Obtainable |
|---------------------------------|--|-------------------|
| 1 | Offeror's qualification, capacity and expertise | 25 |
| 2 | Proposed Methodology, Approach and Implementation Plan | 30 |
| 3 | Key Personnel proposed and Sustainability Criteria | 25 |
| Total Technical Proposal Points | | 80 |

Section 1

| Section 1: Offeror's qualification, capacity and expertise | | Points | Sub-points |
|--|--|--------|------------|
| 1.1 | Brief description of the organization, including the year and country of incorporation, and types of activities undertaken, including relevance of specialized knowledge and experience on similar engagements done in the past. Bidders partnering up with a Vietnamese entity to provide for the strategic consultation, translations; as well as the communications expertise is considered a valuable asset. (Max 4 pages written text plus 1 Matrix) | 20 | |

| | | | |
|--------------------------|---|----|----|
| | Experience in projects of comparable size, type, complexity and technical specialty | | 10 |
| | Experience in providing similar services in the region, especially Vietnam | | 5 |
| | Understanding of local context, and partnering up with a Vietnamese entity to provide for the strategic consultation, translations; as well as the communications expertise | | 5 |
| 1.2 | General organizational capability which is likely to affect implementation: management structure, and project management controls. (Max 4 pages written text) | 5 | |
| | 1. Management structure, management controls, and extent to which any part would be subcontracted | | 3 |
| | 2. Financial Capacity/financial stability: Bidder should have minimum annual turnover of 150,000 USD in any of the past 2 years Liquidity / quick ratio should be minimum 1, in any of the past 2 years . In case of a joint venture, annual turnover is calculated based on the total annual turnover of the JV members. In case of a joint-venture, at least one of the JV members should have 1 liquidity/quick ratio in any of the past 2 years. | | 2 |
| Total points for section | | 25 | |

Section 2

| Section 2: Proposed Methodology, Approach and Implementation Plan | | Points | Sub-points |
|---|--|--------|------------|
| 2.1 | Description of the Offeror's approach and methodology for meeting or exceeding the requirements of the Terms | 20 | |

| | | | |
|-----------------------------|--|----|----|
| | of Reference | | |
| | 1. Description of the offeror's approach to assess and quantify the impacts of CBAM on each group of export products | | 10 |
| | 2. Description of the offeror's approach to analyzing the implications and provide recommendations on the policy options and the design of carbon tax system in Viet Nam | | 10 |
| 2.2 | Quality Assurance | 5 | |
| | A plan outlining how the bidder intends to ensure oversight and quality assurance throughout the assignment. Quality Assurance plan should include discussion on risk-assessment and its mitigation plan | | 5 |
| 2.3 | Implementation Timeline | 5 | |
| | Bidder submits a detailed implementation timeline which includes detailed activities to be undertaken during this assignment, and is completed with gantt chart | | 5 |
| Total points of the section | | 30 | |

Section 3

| Section 3: Key personnel proposed and Sustainability Criteria | | Points | Sub-points |
|---|--|--------|------------|
| 3.1 | Qualifications of key personnel proposed | 20 | |
| | 1. Project lead | | 6 |
| | 2. Climate Change Expert | | 3.5 |
| | 3. Law / Policy Expert | | 3.5 |

| | | | |
|-----------------------------|--|----|-----|
| | 4. Economics / Trading Expert | | 3.5 |
| | 5. Data Modeling Expert | | 3.5 |
| 3.2 | The bidder shall provide a response that demonstrates its commitment to support gender equality through its operations | 5 | |
| Total points of the section | | 25 | |

51. Financial Criteria (20 maximum points)

The financial part of those proposals that are found to be technically compliant will be evaluated as follows.

The maximum number of points that a bidder may obtain for the Financial Proposal is 20. The maximum number of points will be allocated to the lowest evaluated price bid. All other prices will receive points in reverse proportion according to the following formula:

$$\text{Points for the Financial Proposal of a bid being evaluated} = \frac{[\text{Maximum number of points for the Financial Proposal}] \times \{\text{Lowest price}\}}{[\text{Price of proposal being evaluated}]}$$

Financial proposals will be evaluated following completion of the technical evaluation. The bidder with the lowest evaluated cost will be awarded (20) points. Financial proposals from other bidders will receive prorated points based on the relationship of the bidder's prices to that of the lowest evaluated cost.

Formula for computing points: Example

| |
|---|
| Points = (A/B) Financial Points |
| Bidder A's price is the lowest at \$20.00. Bidder A receives 20 points |
| Bidder B's price is \$40.00. Bidder B receives $(\$20.00/\$40.00) \times 20$ points = 10 points |

52. The total score obtained in both Technical and Financial proposals will be the final score for the proposal, with 80% allocated to the Technical proposal and 20% to the Financial proposal. The proposal obtaining the overall highest score will be considered as the winning proposal. This proposal will be considered to be the most responsive to the needs of UNOPS in terms of value for money.

53. The selection of the preferred bidder will be based on a cumulative analysis, analyzing all relevant costs, risks and benefits of each proposal throughout the whole life cycle of the services and in the context of the project as a whole. The lowest priced proposal will not necessarily be accepted.

6 CONCLUSION

54. The collaboration between ETP and the DCC will contribute significantly to the net-zero target by 2050 of the government of Vietnam at a most reasonable cost to the whole economy. Vietnam and the EU share strong trading ties and have already signed the FTA, and the CBAM, if adopted, will affect Vietnam. Although it aims to address climate change, the EU's proposed CBAM will impose substantial costs on Vietnam exports and the economy, especially if it is extended to other sectors in the future.
55. This study will help to understand how the CBAM works, analyze and quantify its impacts on Vietnam industry and economy, evaluate whether the CBAM is a sound policy from a global and Vietnamese perspective, and discusses how Vietnam diplomacy and domestic policies should respond. The study also examines the policy implications on the design of carbon tax in Vietnam in order to assess the suitability and lessons learnt to design and apply carbon tax in Vietnam.
56. Overall, the study will provide insights and signals to accelerate Vietnam's own decarbonization and energy transition efforts toward net-zero emission direction.

7 ANNEXES

Annex 1. Results Framework Template for Project Implementation

| Impact Level: Provide a narrative summary based on RBMF indicators | | | | | |
|--|--|---|--|---|--|
| Long-Term Outcome: Provide a narrative summary based on RBMF indicators | | | | | |
| Intermediate Strategic Outcomes | Project Indicator | Baseline | Target | Actual/Accomplishment | Data Source and Means of Verification |
| Strategic Outcome 1. Strengthened Enabling Policy Environment | | | | | |
| Select Outcomes applicable to your project and indicate your project-specific output. | Indicate the project-specific indicator for the selected outcome | Indicate the baseline for your specific output | Set target (quantitative preferably) | Provide the actual as part of the progress report | Specify means to verify the target |
| Short-Term Outcome 1.1 National RE and EE policies, regulations, standards, and energy plans reflect a clear commitment to Energy Transition agenda and integrated into sectoral plans to contribute to the achievement of Paris Agreement | Understanding about impacts of Carbon Border Adjustment Mechanism (CBAM) among national authorities and stakeholders in export industries, contribute to the implementation of energy transition in export industries and the implementation of the green growth strategy and Paris Agreement in the industrial sector | Limited understanding of CBAM among national authorities and stakeholders in export industries. Energy-related emissions from the industrial sector accounts for 18.6% of total GHG emission in the energy sector. Total GHG emission in the industrial sectors accounts for 14.6% of the total GHG emissions of Viet Nam. | Representatives of the relevant ministries and of the key stakeholders in export industries are consulted and communicated of the Carbon Border Adjustment Mechanism (CBAM) and carbon tax elements | | CBAM assessment report with recommended actions is submitted by the DCC to relevant ministries and stakeholders. |
| | Decree 06/ND-CP on Mitigation of Greenhouse Gas (GHG) Emission and Protection of Ozone Layer | Contribute to the country's target of GHG reduction by 2030: 268,5 million tons of CO ₂ in energy and industrial sectors and 74.3 million tons of CO ₂ in cements and industrial processes | The country and export industries are informed about their GHG emission volume and be prepared for the transition to low energy path from January 2023. Energy efficiency solutions are widely applied | | Decree 06/2022/ND-CP implementation annual review reports and workshops. |

| | | | | | |
|---|--|--|--|--|--|
| | Decision 888/QD-TTg on Approval of Schemes for Implementation of COP 26 outcomes | Contribute to the country's 2030 target of reducing 32.6% GHG in energy and 38.3% in industrial processes compared to the BAU scenario | and the dependence on fossil fuels is reduced. | | Annual review of Decision 888/QD-TTg implementation |
| Short-Term Outcome 1.2 National Fiscal policies, regulations, and Investment policies have undergone reforms to create an Investment Climate that is conducive to investment flow into RE/EE and improves its energy transition readiness for capital and investments | Carbon Tax Framework | Carbon tax options for Vietnam were studied by UNDP and USAID but specific carbon tax elements for Vietnam have not been studied yet | Creation of Carbon Tax Framework | | Carbon tax elements are studied, compiled and recommended to the government of Vietnam for further development of the legal framework on carbon pricing instruments (decree/circular) |
| Short-Term Outcome 1.3 Energy transition agenda is centrally led and coordinated effectively at a National-level agency/institution that is tasked to champion the cause with right level of authority | Ownership of Carbon Tax by MONRE DCC | Carbon tax options were available through UNDP and USAID's earlier study. | Carbon tax development team established and ETP's recommendations of carbon tax elements are well perceived by the DCC and relevant stakeholders | | Carbon tax elements are perceived and considered for development of legal framework on carbon pricing instruments. |
| Strategic Outcome 4. Knowledge and Awareness Building | | | | | |
| Short-Term Outcome 4.1 Stakeholders (relevant Government entities, Public sector companies, Financial institutions, Private entities, Academia, and Consumers) involved in the RE/EE value chain, are knowledgeable and better informed to advance the energy transition agenda | Number of government participants in the stakeholder consultations and national workshops for CBAM and carbon tax. | Zero | Minimum 50 participants per event | | Stakeholder consultation and national workshop Reports |