



NORDIC PARTNERSHIP INITIATIVE PILOT PROGRAMME FOR  
SUPPORTING UP- SCALED CLIMATE CHANGE MITIGATION ACTION  
IN VIETNAM'S CEMENT SECTOR



# Quarterly Report

## Report No. 5

### January – March 2015

Submitted to

**Ministry of Construction**

Department of Science, Technology and Environment (DSTE)



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## 1 INTRODUCTION

The 27<sup>th</sup> January 2014 a contract was signed between the Ministry of Construction (MOC) and the Consortium. The consortium consists of 5 companies – NIRAS, South Pole, Perspectives, VNEEC and NIRAS-Vietnam (RCEE-NIRAS). The contract period runs from primo 2014 to primo 2016.

The fifth quarter of the project covers January to March 2015. During this period, the project team has been working on data collection and database design, development of baseline emission trends for the cement sector and assessment of mitigation potential, costs barriers and policy options.

## 2 MAIN ACHIEVEMENTS OF THE FIFTH QUARTER

The main activities and products in the fifth quarter:

### 2.1 Midterm Review Meeting

On 19<sup>th</sup> January 2015, the Department of Science, Technology and Environment (DSTE) under Ministry of Construction hold a Midterm Review Meeting between the Consortium of consultants (Consultant) and the Project Management Unit (PMU). The purpose of meeting is to review the project progress after 1<sup>st</sup> year of implementation in 2014 and the work plan for the year 2015. The participants of the meeting include the members of the Project Management Unit and the Consultant.



Conclusions/results in brief:

The Consultant has performed significant works, including an in-depth assessment of legal and institutional framework in the cement sector of Vietnam. More efforts should be made for further analysis on institutional gaps and barriers and with recommendations for policies enhancement, reliability of data collection from cement plants, training and capacity building for cement enterprises.

An interim report will be developed with following contents: project brief description, review of project schedule up to date and work plan for 2015, Challenges during project implementation , Key findings from project technical reports, Disbursement report.

Minutes of the meeting is attached in Annex 1.

## **2.2 International Advisory Group's Mission**

From 18-19 March 2015, the International Advisory Group (IAG) led by Ms. Martina Jägerhorn, Country Project Manager of Nordic Development Fund conducted a mission to Vietnam. Participants of the IAG include representatives from Nordic Development Fund, Swedish Environment Protection Agency, Swedish Energy Agency. Detailed agenda of the mission is attached in Annex 2.

During the mission, the IAG also attended the National Steering Committee Meeting hosted by the Department of Science Technology and Environment, Ministry of Construction on 18th March, 2015. The purpose of meeting is to report the project achievements, challenges and opportunities after 1st year of implementation in 2014. The meeting has had the participation from relevant ministries and stakeholders in cement sector. The Minutes of Meeting is attached in Annex 3.

Conclusions/results in brief:

Ms. Martina Jägerhorn, Country Project Manager of Nordic Development Fund was happy to see the way MOC manages the project and the Consultant and coordinate line ministries. And MOC appreciated the Nordic representatives and asserts that the project still has long way to go and hoped that it will meet the expectation of MOC and the Nordic partners.

## **2.3 Mission by International Consultants**

From 09-13 March 2015, the project has organized a mission for consultation with relevant stakeholders in Vietnam with participation of international consultants in charge of relevant tasks and local consultants. The purpose of the mission is to collect inputs and comments for the development of different project tasks, including: Task I.5.1: Current and Planned Policies, Task I.5.4: Barriers to up-scaled mitigation action, Task 6.1 – I.6.2: The types and requirements of the NAMA to be established for the cement sector in Vietnam and policy framework to support the NAMA, Task I.7.1: Existing financing sources for a NAMA.

The international consultants participating in the March mission include:

- Ms. Anna Liisa, Legal and Regulatory Expert;
- Mr. Stefan Wehner, Modelling Expert;
- Mr. Ingo Puhl, Climate Finance Expert.

The International consultant Mr. Morten Pedersen is staying for longer periods in Vietnam

Conclusions/results in brief:

The project team have met with relevant ministries, associations and institutes, and private sector. The consultants have had chances to update the progress and findings of the project as well as to discuss about existing legislation, financial sources, instruments and incentives for mitigation actions and barriers for up-scaled mitigation actions; policy options and incentives that may help to overcome them.

## **2.4 Supplementary Data Gathering (P-I.2.5-I.2.6)**

An additional survey with cement plants has been carried out to provide inputs for the development of database. The questionnaire form being developed under Task 1.2.5-6 has been distributed to 55 cement enterprises. The survey has been conducted by VNEEC's team with supports by MOC's experts.

### Conclusions/results in brief:

There have been 35 responses, accounting for 69% of the total production capacity of the sector. The organization of the survey has involved, as instructed by MOC, the local Department of Constructions in different provinces and it were proven very helpful. Site visits will be conducted with the participants of the local team and MOC's experts for data verification to ensure the reliability of the database

## **2.5 Energy and CO2 emission scenario analysis of the Vietnam cement industry (P-I.3.1/2/3/4)**

The report has been developed under Task I.3: Development of baseline emission trends for the cement sector. The analyses is based on the 35 installation out of the 56 installations. Furthermore the consultant team have been gathering other data in order to build up the different scenarios.

### Conclusions/results in brief:

The report is available to the team for internal review. The report presents the development of baseline emission trends for the cement sector, with different scenarios to be taken into consideration in the NAMA design work.

## **2.6 Report: “Current and planned policies” (P-I.5a)**

Under Task I.5.1a: Assessment of current and planned policies relevant to Vietnam's cement sector, the objective of this report is to assess the current and planned policies relevant to Vietnam's cement sector having connection to emissions of the cement sector emissions in Vietnam and provide recommendations on whether the current regulatory system could facilitate the implementation of low carbon initiatives and standardized MRV system in the cement sector of Vietnam, or if new/revised policies/legal documents would be required.

### Conclusions/results in brief:

The report is available to the team for internal review. The methodology of the report is based on survey analysis, gaps analysis and comparative analysis. A significant number of meetings have been held with key stakeholders and policy makers such as: MOC, MOIT, MONRE, and MPI, research institute: VIBM and key cement producers.

## **2.7 Report: “Policies in Other Countries and the Applicability in Vietnam ” (P-I.5.1b)**

The report has been developed under Task P.I.5.1b: *Current and planned policies in Vietnam as compared to other countries* for the Phase 1- Design stage of the Nordic Partnership Initiative

Pilot Programme for supporting up-scaled climate change mitigation action in Vietnam's cement sector. It forms part of the legal and institutional review that supports the Ministry of Construction in Viet Nam in selecting and designing targeted policies for incentivising cement sector emission reduction activities

Conclusions/results in brief:

The report is available to the team for internal review. Following the review of current and planned policies in Viet Nam in Task I.5.1a, this report assessed international experiences with setting up regulatory frameworks for reducing energy consumption and greenhouse gas (GHG) emissions in cement sector and evaluates whether they could be used in the context of Viet Nam. As recommended in the report for Task I.1.1-I.1.3, the report focusses on the key regulatory measures that underpin emissions reductions in cement sector in the UK and India and based on these international examples, addresses existing policy and institutional gaps for the up-scaled mitigation action in Viet Nam. Recommendations have been provided for the improvement of the legal and institutional framework for uptake of an effective mitigation action in cement sector in Viet Nam.

After the report has been forwarded for internal review it has been agreed after a dialogue with MOC also to include a short section related to Thailand

## **2.8 Report: “Existing and Potential Financing Sources, Instruments and Incentives to Support Mitigation Action in Vietnam's Cement (P.I.7.1)**

The report identifies and assesses the potential domestic and international sources of finance, which could be utilized to implement the mitigation activities involved in the cement industry NAMA in Vietnam. The paper is based on a review of publicly available information, existing reports and consultations with stakeholders in Vietnam on existing financial instruments and incentives for climate change mitigation actions in the country, including for the cement sector, as well as analysis of potential financial sources that could be also applied to support cement NAMA design and implementation based on the international experience.

Conclusions/results in brief:

The draft report has been finalized and the translation version will be ready by mid. April 2015 for peer review. While this report does not yet rule out the use of any of the identified financial instruments to incentivise mitigation actions in the cement industry, it highlights/prioritizes three instruments that appear to have high relevance, based on a preliminary assessment of international best practices and as a result of stakeholder consultations: (1) Domestic and international results-based finance, (2) Performance guarantees for EE investments from domestic public sources, (3) Capex support for state owned companies.

## **2.9 Report: “Stakeholder Management Strategy to support the NAMA for the cement sector in Vietnam” (P.I.8.1)**

During March, 2015, the project team has developed the first draft of the report under the Task I.8.1: Preparation of Stakeholder Map and Plan. The report would define the Stakeholder Management Strategy in relation to the development and implementation of a cement sector NAMA in Vietnam. This will include: a Stakeholder Matrix (containing information on technical, institutional/regulatory and financial capacity of various stakeholders, describing their role, responsibilities and inter-relations, as well as contact details); a “current” and a “desired” Stakeholder Map (depicting relations between stakeholders, knowledge and data

flow exchange); and a Stakeholder Engagement Plan (describing methods, topics for discussion and a proposed timeline and agenda for these consultations).

Conclusions/results in brief:

The report is available to the team for internal review. The draft final report can only be completed after finalization of other sub-products and it is only expected to be completed in June/July 2015.

### **3 SUMMARY OF THE MAIN OBSERVATIONS DURING THE THIRD QUARTER.**

- a. There is a challenge for data gathering and quality of data. It has been difficult to engage the companies who are willing to share data. The database with 35 companies is now at the acceptable quality and will be gradually improved.
- b. Most products and sub-products are interlinked. The Consultant team has agreed to incorporate the outputs of some sub-tasks into one integrated report.
- c. Translation is still a challenge as resources have not been allocated for the translation of the reports.
- d. There is a lack of specific attention to sustainable development, EE and CO<sub>2</sub> emissions in master plan, strategy and policies

### **4 PRESENTATION OF THE FIFTH QUARTER ADMINISTRATIVE ISSUES.**

#### **4.1 Biweekly coordination meeting**

The consortium has bi-weekly meetings within the team to secure a smooth coordination of the several parallel on-going tasks and delivery of results.

#### **4.2 Budget management**

The budget is in line with the agreed contract.

### **5 EMERGING IDEAS AND OPPORTUNITIES.**

Per MOC request, the Consultant has proposed some options for pilot projects for next phase of implementation. A concrete proposal for a pilot project was presented and it can be developed further. It was discussed that a pilot project could include 1) Testing the proposal on MRV system for the cement sector, 2) implement selected policy instruments 3) Testing the proposal on voluntary ER purchasing system within the cement sector (result-based approach) and 4) Demonstrating a tangible, accessible fund (loan-based) for mitigation actions in the cement sector. A pilot project could range in size, but the consultant proposed to consider EUR 5 million.

## **6 CONCLUSIONS AND RECOMMENDATIONS**

- Master plan for Cement and relevant documents should be updated with KPI based on CSI,MRV, SD
- Future MRV system and financing/value of CO2 (confidence, test)
- Voluntary arrangement with cement for EE/CO2 could be tested (test now and more will join)



## 7 WORKS TO BE DONE IN THE NEXT QUARTER (APRIL 2015 – JUNE 2015)

No.	Sub-task	Description	Sub-product	Responsible	Expected date	Original date	Remark
<b>I.4: Setting up of sector-level MRV system of international standard</b>							
1	I.4.1	Identification of current MRV systems and procedures in cement companies in Vietnam consistent with actual data availability	P-I.4.1/2/3/4: Set-up for a second phase Energy and CO2 performance information system for the Vietnam cement industry”	Axel Michaelowa	30.04.2015	30.09.2014	
2	I.4.2	Assessment of availability and quality of the data required for determining sector-level emissions and mitigation potential	P-I.4.1/2/3/4: Set-up for a second phase Energy and CO2 performance information system for the Vietnam cement industry”	Bruno Vanderborght	30.04.2015	25.11.2014	Mission to Vietnam for the MRV workshop during November 2014.
3	I.4.3	Proposing appropriate institutional arrangements for MRV	P-I.4.1/2/3/4: Set-up for a second phase Energy and CO2 performance information system for the Vietnam cement industry”	Dang Hanh	30.04.2015	19.12.2014	The work is a follow-up of finding from I.2.5/6.
4	I.4.4	Establishment of an MRV system for regular measurement, reporting and verification of the relevant emissions	P-I.4.1/2/3/4: Set-up for a second phase Energy and CO2 performance information system for the Vietnam cement industry”	Axel Michaelowa	30.04.2015	28.01.2015	Training material should only be prepared when MOC has agreed on the MRV set-up
<b>I.5: Assessment of mitigation potential, costs barriers and policy options</b>							
5	I.5.2	Identification of various mitigation action from	P-I.5.2: Various mitigation action for the cement sector	Ha Dang Son	20.05.2015	19.12.2014	The work is a follow-up of

No.	Sub-task	Description	Sub-product	Responsible	Expected date	Original date	Remark
		Vietnam's cement sector					subtask 0.7 and findings from I.2.5/6.
6	I.5.3	Preparation of a marginal abatement cost (MAC) curve for identified actions	P-I.5.3: Marginal abatement cost	Stefan Wehner	20.05.2015	28.01.2015	Mission in March by Stefan Wehner.
7	I.5.4	Identification of relevant barriers to up-scaled mitigation action in the cement sector	P-I.5.4: Barriers to up-scaled mitigation action	Bruno Vanderborght	20.05.2015	28.02.2015	
<b>I.6: Options for matching policy toolkit with NAMA support</b>							
8	I.6.1	Definition of the type and requirements of the NAMA to be established that takes into account the NAMA lessons in other countries and also ensure that the results from the baseline setting exercise as well as the political economy analysis (which policy instruments are actually available) will be reflected.	P-I.6.1 and I.6.2.: Type and requirements of the NAMA and conceptual framework of NAMA.	Ingo Puhl	31.06.2015	28.01.2015	TOR agreed. I.6.1 and I.6.2 will be combined due to its relevance.
9	I.6.2	Design of a conceptual framework for the design of a NAMA	P-I.6.1 and I.6.2.: Type and requirements of the NAMA and conceptual framework of NAMA.	Ingo Puhl	31.06.2015	28.03.2015	TOR agreed. I.6.1 and I.6.2 will be combined. Mission in the first week of February.

No.	Sub-task	Description	Sub-product	Responsible	Expected date	Original date	Remark
<b>I.7: Identification of potential national and international financial resources</b>							
10	I.7.4	Relationship with other activities	P-I.7.4: Programmes/projects relevant for the NAMA cement project.	Nguyen Tuan Anh	31.05.2015	20.03.2015	
<b>1.9: Preparation of Baseline and Options Study and Preliminary Readiness Plan</b>							
11	I.9.1	Preparing a Baseline and Options Study	P-I.9.1: Baseline and options study	Ha Dang Son	20.07.2015	28.03.2015	Inputs from Task I.5 are required
12	I.9.2	Preparing a Preliminary Readiness Plan	P-I.9.2: Draft readiness plan	Morten Pedersen	31.08.2015	28.05.2015	Inputs from I.6.3/I.8.1 and I.7.2-I.7.5 are required

## APPENDIX 1. MOM OF MIDTERM REVIEW MEETING



**NORDIC PARTNERSHIP INITIATIVE PILOT  
PROGRAMME FOR SUPPORTING UP-SCALED  
CLIMATE CHANGE MITIGATION ACTION IN  
VIETNAM'S CEMENT SECTOR**



### MIDTERM REVIEW MEETING

**Date, time:** 19<sup>th</sup> Jan. 2015, 14:00 - 16:30 (Hanoi time)

**Location:** Meeting Room, MOC's office, 37 Le Dai Hanh, Hanoi, Vietnam.



### MINUTE OF MIDTERM REVIEW MEETING

Hanoi, 19<sup>th</sup> January 2015

On 19<sup>th</sup> January 2015, the Department of Science, Technology and Environment (DSTE) under Ministry of Construction hold a Midterm Review Meeting between the Consortium of consultants (Consultant) and the Project Management Unit (PMU). The purpose of meeting is to review the project progress after 1<sup>st</sup> year of implementation in 2014 and the work plan for 2015.

## Participants

No.	Name	Title	Notes
<b>MOC</b>			
1	Mr. Nguyen Trung Hoa	Director of DSTE - Project Director	
2	Mr. Tran Quang Hao	Expert, DSTE - PMU member	
3	Mr. Dinh Chinh Loi	Expert, DSTE - PMU member	
4	Mr. Hoang Hai Van	Expert, General Department - PMU member	
5	Mr. Hoang Huu Tan	Deputy Director of Department of Building Materials - PMU member	
6	Ms. Nguyen Thi Hong	Deputy Director, Department of Finance - PMU member	
7	Ms. Nguyen Thi Anh	Expert, Department of International Cooperation - PMU member	
8	Ms. Luu Linh Huong	Expert, DSTE - Project Secretary	
<b>Consultants</b>			
1	Mr. Morten Pedersen	Project Team Leader	
2	Mr. Ha Dang Son	Deputy Team Leader - Technical	
3	Ms. Phan Minh Thao	Deputy Team Leader - Administration	
4	Mr. Tran Minh Tuyen	Database Manager	
5	Ms. Nguyen Hong Loan	Public Awareness Campaign Expert	
6	Mr. Le Anh Tung	Office Manager and Logistics Specialist	

## - Content

The agenda of the review meeting consists of four sessions as follows:

1. Opening;
2. Midterm Progress Review of the project;
3. Discussion;
4. Conclusion.

- **I. Opening**

Mr. Nguyen Trung Hoa, Project Director, gave opening speech briefing the purpose of the review meeting and introducing the PMU members.

Mr. Morten Pedersen, Team Leader, introduced the participants of the Consultant.

- **II. Project Progress and Next steps**

Mr. Morten Pedersen presented the project progress and the focus of project implementation in the year 2015. His presentation includes the following main topics:

- Overview of the Pilot Project
- Methodology and Approach
- Progress to date
- Findings and Recommendations
- Way forward

- Mr. Morten mentioned that the data on cement sector of Vietnam is the major challenge to the project, and it took more time and efforts than expected to resolve the issue with the support by MOC. He expected that by overcoming that major challenge, most of technical reports could be delivered during the first half of year 2015.

- The presentation was enclosed to the minutes of the review meeting as Annex 1.

- **III. Discussion**

1. Mr. Nguyen Trung Hoa, Director of DSTE, Project Director has the following comments:

(1) The Consultant has performed significant works, including an in-depth assessment of legal and institutional framework in the cement sector of Vietnam. However, the Consultant has not provided analysis on how the national NAMA and sectorial NAMA shall be coordinated. It is obvious that even a policy is available, problems will arise when a financial mechanism is proposed specifically on some sectors in focus but financial supports to implement such mechanism are allocated to those focal points having no mandate to enforce the mechanism in the sector(s). It was recommended that the Consultant should interview with cement plants about the barriers/challenges in implementing the existing policies relevant to mitigation in the cement sector (for instance, why the regulations on installing waste heat recovery system for power generation could not be successfully implemented). And the Consultant should provide further analysis on institutional gaps and barriers and come up with recommendations for policies enhancement;

(2) The reliability of data provided by cement companies is a concern by MOC, as the incorrect data will affect the results of emission estimation;

(3) MRV should be simplified to be practical to the local context but still in compliance with international procedures and standards;

(4) It is expected that the NAMA would cover not only policy proposal but also include 1-2 pilot projects for fund raising for implementation;

(5) Capacity building activities should be strengthening with more training and capacity building for managers and operators of cement plants. Training and capacity building activities should address the difficulties and challenges in data collection and management for cement plants.

2. Ms. Nguyen Thi Hong, Deputy Director, Department of Finance has the following comments:

(1) It is not clearly shown what activities have been performed, and what activities will be performed in next steps;

(2) the Consultant should clearly present the objectives of each project tasks and how they contribute to the overall objectives of the project;

(3) The Consultant should present the work plan for the entire year 2015, instead of half year work plan; and the work plan for 2015 should clearly define which outcomes to be archived;

(4) Financial report showing the disbursement progress should also be presented, so that MOC could report to relevant Government ministries in charge of ODA management (MPI, MOF).

3. Ms. Nguyen Thi Anh, Expert, Department of International Cooperation agreed with the remark by Ms. Hong that the work plan for next steps has not clearly shown the specific activities of the project during 2015.

4. Mr. Mr. Hoang Huu Tan, Deputy Director of Department of Building Materials, PMU member had the following comments:

(1) The Consultant has performed significant works however project achievements have not been clearly shown in the presentation;

(2) The global baseline developed by CSI has shown that some cement plants in Vietnam may have lower indicators on energy consumption comparing with other countries, thus establishing a good database could help developing reliable benchmarks; that can help showing which cement plants in Vietnam performing good and attracting foreign investments;

(3) The Master Plan on cement development following Decision 1488 just acts as a regulatory framework for investments in the cement sector only, and so far there is no regulation for monitoring/assessing the performance of operating cement plants except those set by MONRE on exhaust gases, which is not covering energy nor GHG emissions, thus the Consultant should propose a MRV framework with detailed guidance e.g. which data to be collected, where and how to measure relevant data inputs etc.

5. Mr. Mr. Hoang Hai Van, Expert from General Department, MOC commented that:

(1) It is obvious that the Consultant has performed significant works;

(2) The project progress report should include the comparison with the original project schedule, to see where the delays were and experts responsible for the those tasks;

(3) The Consultant should report in details their issues/challenges during the implementation, how to overcome, as this is very crucial for better project implementation in 2015.

6. Mr. Tran Quang Hao, DSTE expert, PMU member requested the Consultant to address the role of this sectorial NAMA and how the sectorial NAMA can be integrated into the national NAMA programme.

7. Mr. Mr. Dinh Chinh Loi, DSTE expert, PMU member commented that:

(1) the presentation by the Consultant has not provided clearly what project activities have been performed and their outputs and what activities will be performed for next steps;

(2) The project should make the cement companies well aware of what benefits they can obtain from the project.

8. Ms. Luu Linh Huong, DSTE expert, PMU member raised the concern of translation of project sub-tasks reports because it takes time for translation and the reports are subjected to be peer-reviewed. She also recommended on facilitating data collection as soon as possible.

9. Mr. Nguyen Trung Hoa commented that the Consultant should allocate resources for translation works and they should be in charge of the quality of the translated report.

10. Mr. Morten Pedersen, Team Leader thanked for valuable comments and agreed to address all issues raised during the next steps of project implementation.

11. Mr. Ha Dang Son, Deputy Team Leader, clarified that due to time limitation the presentation could not cover all issues in details, however the detailed outcomes and project progress have been updated in the Quarterly reports. Further assessment and analysis on institutional gaps will be provided in the tasks I.5.1, I.6.1 – I.6.2.

### - **III. Conclusion**

Mr. Hoa gave a summary of the meeting and requested project consultants to submit an interim report with following contents:

- Project brief description
- Review of project schedule up to date and work plan for 2015
- Challenges during project implementation
- Key findings from project technical reports
- Disbursement report

*The workshop was closed at 16:30 on the same day.*

*---End of minutes.*



## APPENDIX 2. AGENDA OF THE IAG MISSION

Date/Time	Program	Venue	Participants	Issues to discuss	Contact infor./Remark	
<b>Wednesday 18 March 2015</b>						
09:30	Advisory Group Meeting	Project Office, MOC Building, 37 Le Dai Hanh, Hanoi	International Advisory Group (AIG): MJ, SA, UJ, KS, Project team: MOP, HDS,PMT, LAT	Update on Project Progress and relevant implementation issues Stakeholder engagement for mitigation actions in the cement sector		
11:30	Lunch					
14:00	National Steering Committee Meeting	MOC Building, 37 Le Dai Hanh, Hanoi	Project Steering Board IAG DMHCC/MONRE, ISEA/MOIT GDE/MOIT, DSENRE, MPI VICEM, VNCA, VABM, VIBM,, Project team	<b>Time</b>	<b>Content</b>	<b>Speaker</b>
				14:00 - 14:15	Opening Speech	Mr. Nguyen Trung Hoa, Director of DSTE, MOC  Ms. Martina Jägerhorn, Country Programme Manager, NDF
				14:15 - 14:30	Updates on the NPI and how it relates to the climate negotiations and the future financing of NAMAs	Representative of NOAK PG
				14:30 - 15:00	Project Progress Report	Mr. Morten Pedersen, Project Team Leader
				15:00 - 15:15	Break	

				15:15 - 15:30	Updates on emission reduction activities and low carbon programs in Vietnam	Representative of MONRE
				15:30 - 16:30	Open discussion	
				16:30	Conclusion and Closing	Mr. Nguyen Tran Nam, Vice Minister, MOC
19:00	Dinner		MOC IAG Project team			
<b>Thursday 19 March 2015</b>						
7:30	Travel to Hai Duong Province		IAG Project team			IAG's hotel (to be confirmed)
10:00	Site visit to Hoang Thach Cement Plant					
11:30	Lunch					Arrive Hanoi at around 3pm

## **APPENDIX 3. MOM OF THE STEERING COMMITTEE MEETING**

### **NAMA cement National Steering Committee Meeting**

Time: 14:00,18 March 2015

Location: Meeting Room No. 252, Ministry of Construction, 37 Le Dai Hanh Street, Hanoi

#### ***Opening Speech***

Mr. Nguyen Trung Hoa introduced the purpose of the meeting which is to review the progress of the project after 1 year of implementation. He introduced the participants to this meeting which include the International Advisory Group IAG (including NDF), the Consultant, representatives from line ministries (MOC, MONRE, MOIT) and relevant stakeholders (VNCA, VABM, Song da Cao Cuong, VICEM, etc.) The meeting would update the participants with information from the Nordic Partnership Initiative in Peru (by IAG), the project's progress (by the Consultant) and the mitigation activities in Viet Nam (by MONRE ). There would be an open discussion session at the end. He introduced Ms. Martina of NDF to make opening remarks.

Ms. Martina thanked the organizer to give her the opportunity to attend the Steering Board Meeting. She introduces the International Advisory Group (IAG) and asserted that their objective is to learn from the project implementation in Viet Nam and other processes of developing NAMAs. In the morning the IAG have had a meeting with the Consultant to discuss technical and administrative issues in details, and in this meeting the IAG would like to listen to participants' views on the project and to take the experiences and comments back home.

#### ***Presentation on Nordic Partnership Initiative for Up-scaled Mitigation Action (NPI) by Sara Almqvist, Swedish Environmental Protection Agency presenting the Nordic Project Group for NPI***

NPI is the partnership between Nordic countries (Norway, Denmark, Sweden, Iceland, and Finland). The aims are to build capacity in the host country to develop and actually implement NAMA and explore way to attract national and international climate finance and to provide inputs of lessons to international climate negotiation and encourage people to take action

The programs in Peru and Viet Nam require: access to data, identify mitigation options, barriers, develop MRV system and capacity building at different level.

The project in Vietnam will be presented by Morten

Ms. Sara provided information about the project in Peru which started in mid 2013 and will be finalized in June this year. The NAMA is implemented in several phases: It started with inventory, projected baseline scenarios (phase 1) identify mitigation actions (phase 2) screen for financial options (phase 3).

Expectation from this Initiative is to be able disseminate the lessons learnt and to be good case to show to the rest of world and to bring up to international negotiations.

Mr. Hoa expressed his expectation that Viet Nam will also be able to implement a NAMA in the waste sector like Peru

#### ***Presentation on Project Progress Report by Mr. Morten Pederson, the Team Leader***

Mr. Morten on behalf of the Consortium made the presentation.

The outline includes project overview, progress update, planning, challenges and opportunities, findings and recommendations.

Mr. Morten gave the long-term, medium-term objectives of the project which is to build capacity for Viet Nam to design NAMA in the cement sector and to attract international finance.

The NAMA design includes activities in six main blocks: Legal and Institutional review, Financing Arrangement, Database & MRV, Baseline and Mitigation Options, Stakeholder Management Strategy, and constitutes the NAMA Readiness Plan at sector level. It is expected that the NAMA implementation which falls outside of the scope of this project will include NAMA Pilot (Readiness Plan at plant level, Pilot implementation) and full-scaled implementation.

Mr. Morten then provided detailed progress in each component activities.

It was provided that the database has been completed and the team is making the baseline and mitigation options. The team has visited Holcim and Ha Tien cement plants to learn about the low carbon initiatives and implementation barriers.

Regarding financing arrangements, they are still in early stage but have an overview of existing national and international financing system.

He then provided the time schedule to Mid 2015 with the completed tasks and the intended plan for the next activities, as well as the tentative schedule until end of 2015. They intend to finalize financial plan by Jan next year and will hold a more detailed stakeholder consultation.

He highlighted the key challenges: data gathering (to engage the companies who are willing to share data) and quality of data. The database with 35 companies is now at the acceptable quality and will be gradually improved. This success is due to a good collaboration between VNEEC (a partner in the consortium) and MOC and VICEM. The reporting and verification of data shows potentials for improvement.

He identified the opportunities that the cement can improve MRV system and reduce carbon content and recommends to update the national documents like the Master Plan for Cement.

The project has tried to involve consultation with line ministries like MONRE, MOIT. The Consultant sees that Viet Nam has to work more on NAMA inventory and MRV guideline.

Morten provided the specific information about the project: They have succeeded to have information of 35 cements plant out of 56 (covering 69% of installed capacity). All data are in acceptable range (up to international experience, if there is deviation, verification is required). The resulted chart shows good performers and less good performers. The company can see where it belongs to and see how they can improve.

The Consultant has developed the historical trend based on bottom-up data and is now trying to set up the different reference/baseline scenarios and to compare with the whole Southeast Asia. The thermal consumption of Viet Nam is not good like the other SA countries but electricity consumption is much better. The Consultant has identified a matrix of all the mitigation options and evaluated them against specific criteria.

The stakeholders in Viet Nam involve several ministries and there is a potential for simplification. The Consultant has developed ideas for policy interventions in the project. It is noticed from GGS that there is national ER target and it is suggested that the cement sector also identifies a target and to adjust the Master Plan. One of the mitigation option is to use fly ash and we can start develop relevant regulations. The ideas for institutional setup of MRV: MOC will receive reports directly from the plants, compile and integrate data and send the processed data on energy and GHG emissions to MOIT and MONRE respectively.

The Consultant also proposes a NAMA pilot project to test the MRV system, to give incentives to the cement plants to use the system (data documentation and report). Financial sources can come from different donors and there is a need to have international support here. This is to help the companies to overcome the investment barriers.

The brainstorming ideas for the pilot project: it may include the worst performers or early movers, to identify the real objectives, size of fund (about 5 million EUR). MOC should consider their potential contribution but should keep in mind that the main source should come from the cement companies. The project indicates that there is a need to help cement companies to make feasibility study and to overcome risks, etc.

#### Discussions after the presentation

Mr. Hoa highly appreciated the work of the Consultant, especially the data collection work (covering 69% of installed capacity) which will be the basis for baseline development and adjustment of regulations in the cement sector. The project has also reviewed the legislation framework and consulted with different stakeholders. One important component is MRV. It would be complicated if we strictly follow CSI since when we contact with the cement companies, there are several information relating to industrial confidential. There is so far no regulation on reporting in the cement sector. In the future, MOC will legalize this component to ensure compliance of cement companies.

Mr. Hoa asked the participants for comments. Mr. Hieu from MONRE thanked Mr. Pedersen on the presentation updating the project. Mr. Hieu has 2 comments and 1 question:

1<sup>st</sup>: Viet Nam has also established target for energy sector. Has the Consultant referred to this target when making ER target for cement sector?

2<sup>st</sup>: the Decree should be based on the Law. MONRE has the plan to submit to the Government to set up the GHG inventory system. This should be a Decision by PM not the Decree as in the presentation of the Consultant.

3<sup>rd</sup>: Does the baseline include or exclude existing policies and planned policies?

The Consultant answered that the setting up of scenarios should be based on Viet Nam context and to compare with other countries. There is the mistake about the legal document to be developed guiding the GHG inventory, as the international expert may not have a clear view about the difference between a Decision and a Decree. This information is for referential information only. The baseline and emission reduction (ER) targets would be established under the direction of MOC, under the framework of Green Growth Strategy as well as the Project 1775 on GHG emission control. Cement sector has its own typical feature which covers both energy (E) and non-energy (IP) emissions.

***Presentation on Updates on emission reduction activities and low carbon program in Vietnam by Mr. Hieu***

Viet Nam has low emission 2.8tCO<sub>2</sub>e/capita in 2010, but the Government of Vietnam commits to make contribution to the efforts for climate change mitigation.

Viet Nam has assigned the focal point to implement the UNFCCC, make NC1-2, baseline setting, target, etc.

Coordination of climate change activities: National Committee on Climate Change chaired by PM together with line ministries as members, MONRE is the focal point to contact with the UNFCCC and committee members. DMHCC has established ER Monitoring and Low Carbon Unit. Currently there are different working groups: baseline, mitigation, financial, inventory.

Mr. Hieu presented the existing GHG emission targets for line ministries to refer to when they develop their own ER target include: Resolution No.24-NQ/TW, National GGS, Plan 1775 to establish the target of 8% reduction in energy sector, the National Climate Change Strategy also sets target to 2020 and after 2020.

He mentioned the 2nd National Communication completed in 2010 and emphasized that Viet Nam is the second country submitting the BUR to UNFCCC which identifies energy as the main emitter representing about 53% of emissions.

In the business-as-usual scenario, overall emission of the country will increase rapidly (projection up to 2020 and 2030). Mr. Hieu stressed that cement sector is a large emitter and hope that the Nordic Initiative will provide support to archive ER target. He informed the audience that there is high potential since Ha Tien 2 has implemented the waste heat recovery system with great success.

He introduced the GHG mitigation options in energy sector (6 options), 3 in LULUCF and 2 in agriculture. Viet Nam ranked the 4th in the world in CDM, the 11th in issuance of emission reductions. He updated the status of CDM and provides that there is a consideration to transfer the CDM projects to NAMA.

He provided information on NAMA preparation including: the institutional arrangements for NAMA/MRV, the three NAMAs under development which have been included in BUR: wind power (send to NAMA Facility), renewable energy, biomass from pig farms. He is waiting for international negotiation on finance for NAMA.

Mitigation actions in cement are highly potential and it is expected that it can be submitted to NAMA Facility or called for other sources of financing.

MONRE also cooperates with OCCD to develop projects on CH<sub>4</sub> recovery in waste sector. MONRE also cooperates with UN to develop mitigation actions in building sector.

Preparation for NAMA is on-going. However, in near future, it is necessary to develop regulatory framework and to have support from international entities, line ministries, public and private sector.

Viet Nam is watching out for guideline on MRV at national and sectorial level. Viet Nam intends to issue PM Decision on GHG inventory (every 4 years for NC, 2 years for BUR) to ensure regular inventory, not on project-basis as it is now. It is expected that NAMA MRV will be integrated to the National GHG Inventory. This is expected in near future cooperation between line ministries will be closer.

Mr. Hieu updated on the Intended Nationally Determined Contribution (INDC) for Viet Nam, which is under preparation. A working group has been established. GTZ and UNDP are supporting VN to develop this INDC. There are different views: whether it will include mitigation only, or together with adaptation. Adaptation is an important part for Viet Nam as the country is suffering from climate change and sea level rise. Major works would be ready by June, July this year for the Government to submit INDC before COP21. It is expected to have cooperation with line ministries to have track-able INDC to ensure ambitious and fair.

Mr. Hoa thanked Mr. Hieu and assessed that it would be better to have NAMA guideline early for line ministries to follow. He also asked the Consultant to consider this for the project implementation.

### ***Open discussion***

Mr. Sam, VABM, highly appreciated the activities of the Consultant although there are several difficulties, one of which is data collection. The presentation does not provided specific information about the mitigation potential in the cement sector and how to realize the potential and the feasibility of the solution.

Among the two objectives of the project, due consideration should be taken to find finance. Decision 1488 Master Plan requires heat recovery system by 2015 but finance is unfeasible. Therefore, Mr. Sam concerned whether we can attract finance for the project implementation. In long term, the MRV will have favorable conditions. However to implement it, there should have legal documents and reinforcement measures. He hopes the project will be completed as schedule but the effectiveness should be the later issue.

Mr. Cau, VNCA, stated that project will help the cement sector to contribute to climate change. Vietnam production of 80 million ton cements with average 1000tCO<sub>2</sub>e / ton cement. Contributors to emission include electricity and thermal consumption and chemical process. He identified that there is low potential to change the energy efficiency situation. One option is to use alternative fuel and waste heat recovery for power generation. The limestone combustion is not encouraged. He asked the Consultant to review the Master Plan to see if the production target is appropriate or too much. Decrease in output can result in emission reduction.

Mr. Hoa asked that VNCA should have a voice in revising the Master Plan in which the planned production is a little too much, and no concrete energy/emission targets set.

Mr. Tuan from MOIT reported that MOIT is having mitigation projects in steel, textile and highly appreciated the project achievement. MOIT regulates major energy users and has data on fuel consumption which can cooperate with MOC to integrate data and share data for better project implementation. MOIT also implements LCEE for small-medium enterprises and would like to share the experience especially the funding model. MOIT is willing to give comments on the reports of the project.

Mr. Hoa said that integration of reporting is required since NAMA\_MRV, VNEEP and MOIT all requires reporting of data. Too many reports are required. Within the scope of this project, recommendation should be provided to avoid overlapping and inconsistency in data from different reports.

Mr. Huy from MOIT asserted that the projects 'report is good which provides good analysis and political recommendation. It is hoped that in the near future, results of the projects will be shared with line ministries in development of sectoral mitigation actions.

Mr. Linh from VICEM paid attention to emission reduction technologies and shows his willingness to support the project.

Mr. Mat from Song Da Cao Cuong asserted the significance of the project. The fly ash from steel kiln is abundant but not yet be utilized as input for cement plants. He hopes that MOC, MOIT, MONRE will cooperate to promote this mitigation measure. Song Da Cao Cuong is giving fly ash to Hoang Thach Company which brings about financial and environmental benefits. Viet Nam has not yet developed specific Action Plan like Japan. In 23 Sep 2014 PM decision has been promulgated but implementation is facing difficulties. Current regulations are not encouraging for researchers and enterprises. It is just the governmental document without specific mechanisms. He wished that cement sector can recycle industrial waste to save land, protect the environment and bring benefits. He hoped MOIT, MOC and MONRE can cooperate to pay attention to the enterprises and to develop specific plan and actions.

Mr. Hoa recommended Song Da Cao Cuong as a good candidate to refer to when we consider developing NAMA pilot.

Mr. Sinh Thanh from MOIT is responsible for a similar project. He asked about NAMA and MRV. He understood that NAMA is to mobilize fund and the donors will propose how to make the MRV. In this project, whether the NDF financed project will have to establish its own MRV requirements, and if MONRE will also establish MRV?

Mr. Hieu from MONRE explained that NAMA is at larger scale than PoA, depending whether it is national or sectoral NAMA and should follow international requirements. He suggested to the donors that NAMA is a new concept and capacity building is necessary, especially for enterprises. For example under HCFC reduction project in foam, there are enterprises refusing to receive the mission. They did not understand that if they provide good data, they have chance to access to international fund to change technology. He suggested that besides technical capacity building, awareness rising on NAMA benefits is necessary for enterprises to understand and cooperate and to gain benefits from the project.

Mr. Morten shared the experience on MRV. In the next 4 months, they will go to the cement companies to provide MRV and MONRE can include it in the INDC report. MONRE can give request information from the project in order to have good project to show for Viet Nam at COP.

Mr. Morten shared the good practice of using the fly ash and will further contact with Mr. Mat from Cao Cuong for the potential of this mitigation measure.

Mr. Hieu said that INDC will be delivered to line ministries including MOC. They have only 2 months left and would like to have MOC ideas on whether the target in cement sector is fair and ambitious.

Mr. Son, Deputy Project Manager commented on the data from VNEEP under MOIT. The report of key energy (intensive) users was started to be provided in mid 2012 following the effect of the Law on Energy Efficiency, and the access to data owned by MOIT was difficult due to transition of leaders during the first year of the project. The Project decided to take bottom-up approach and will consult MOIT when data were fully collected as a mean of verification.

The Consultant sees there is a high potential for the cement sector since its indicators are higher comparing to Asian countries. The question is how far we can go to be suitable (it's difficult to define the target which is good enough but not create burdens to



the enterprises). The team is considering different options and hope in the next one month and a half to share the results to the stakeholders.

Mr. Hieu said that the EF of cement should apply IPPC and the resulted EF of 1000 tCO<sub>2</sub>/ton of cement seem high. He proposed to reconsider to avoid inconsistency with MONRE's calculation result, which was based on IPCC default EF for cement.

Mr. Tan from MOC assessed that technology in the cement of Viet Nam is highest in the world since all reputable equipment suppliers are available. The project results are reliable since he sees the energy saving potential is not too much. Vietnam companies have several ways for mitigation: fuel alternative, waste heat recovery. Regarding finance, Vietnam has great difficulties in fund raising. Regulations are not good. Law on energy efficiency does not mention fuel alternative and waste heat recovery that can receive financial incentives. Therefore the project should give recommendation in this regard.

Mr. Son corrected the figure with the latest calculation showing the EF of cement at around 891 kgCO<sub>2</sub>/kg. It is worthy to mention that the project follows the bottom-up approach and as such would apply Tier 3 of IPCC guidelines.

Mr. Klas from Swedish Energy Agency asks the Consultant to provide further details about the pilot project.

Mr. Son shared that NAMA has several objectives one of which is to attract finance and they hope not only international but also national finance. The team has met Mr. Vu from VNEEP to exchange about the financial mechanisms in Viet Nam. According the Mr. Vu, before going for a full-scale NAMA it is required to have demonstration projects. MOIT suggests MOC to make the similar model. Therefore the Consultant proposed to have pilot implementation project to show to enterprises about MRV and to overcome barriers. Discussion with VICEM shows that MRV can be useful for the enterprises in its internal management of energy consumption and to develop good database which follows CSI. The India example was considered by MOIT in energy consumption area in which, they gives quota on energy consumption which can be sold by low energy users to the high energy users. There should need a support from a fund. Unsuccessful example from Clean Technology Fund shows that the enterprises would rather go to the banks for commercial loans than access to this CTF since the procedures are too difficult. The Consultant thinks about something similar to Trust Fund by DANIDA for LECC.

### ***Conclusion and Closing***

Mr. Hoa in his closing remarks thanked the participants, especially IAG representatives to participate in this meeting. He asserts that the project is going in the good direction as scheduled and has achieved good results. In the 2015 phase the Consultant should pay attention to the following tasks:

- Improve the database, including methodology of EF calculation
- Finalize MRV, including capacity building/trainings and feedback from cement companies on the MRV
- Develop NAMA in the cement including assess of feasibility to access to technology, finance. The team should propose an operational model
- Review the regulatory framework as suggested by Mr. Hieu from MONRE since we have just previously reviewed the Mater Plan and National Target Programs. The

team should give specific recommendations for revision of the legal framework and respective documents, and should consult with enterprises on regulatory barriers preventing low carbon investment. This should be a contribution of the project to the State management.

- MOC wishes to have pilot project for demonstration of the NAMA cement. This will help test the MRV system and access to financial source. This will help realize the legal provisions in practice since we are very good at developing legal document but not good in putting them into practice.

Ms. Martina thanked MOC for the leadership in this project and she is happy to see the way they manage the project and the Consultant and coordinate line ministries and stresses the role of MONRE in coordination of mitigation projects. MOIT is also an important body to have good cooperation and would like to have their insights in the development of MRV, data collection. She was happy to see the presence of cement companies without whom the implementation will be impossible. She looked forward to further discussion with the cement companies and their continued cooperation.

Mr. Hoa once again thanked the participants for their support to this project and looks forward to close cooperation with MONRE for consistency between national level and sectoral level and with MOIT for data collection and facilitation for access to enterprises. He thanked the Nordic representatives and asserts that the project still has long way to go and hopes that it will meet the expectation of MOC and the Nordic partners