



## [REPORT TASK I.1.1-I.1.3] ASSESSMENT OF LEGAL AND INSTITUTIONAL FRAMEWORK OF CEMENT SECTOR

### EXECUTIVE SUMMARY

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This report is the first step of the Phase 1 - Designing stage of the Nordic Partnership Initiative Pilot Programme for Supporting Up-Scaled Climate Change Mitigation Action in Vietnam's Cement Sector. The consultant team has conducted desk study and dialogue with key stakeholders to gather and review all related information on policies, laws, regulations, industry road maps, targets, forecasts, performance benchmarks, incentive mechanisms for the cement industry in Vietnam. The report is structured in 07 chapters:

**Chapter 1: Executive summary.** This is short introduction of the report and summary the key findings

**Chapter 2: Overview.** This serves to introduce an overview of cement industry in Vietnam, the chronological overview of cement sector legislations and strategies and Green Growth/GHG reduction National Target in cement Sector if available

**Chapter 3: Analyzing Institution and Governance for Cement Sector.** This chapter discusses how the Government manages, monitors and regulates the industry. A list of stakeholder in

cement industry with contacts is consolidated and presented in the appendix.

**Chapter 4: Analysis of Current national plans, policies and strategies related to cement sector.** The analysis goes in details of the current Master Plan for development of cement industry in Vietnam, related Law document following thematic approach of energy and CO2 emission. It also review the current national reporting system of cement enterprises to MONRE/DONRE, MOIT, MOC, VNCA.

**Chapter 5: Some international examples of legal and institutional setup in mitigation and MRV in cement industry.** The experiences in UK and India where measures are applied to promote MRV system and low carbon options, namely: WHR, alternative fuel, co-processing, lower clinker content in cement.

**Chapter 6: Future tasks related to recommendation for improvement of the legal and institutional framework** shows the link of related to products coming out from Task I.5.1 and this report, where further work shall be focused in order to improve the registration and institution for cement industry in Vietnam.

## Chapter 7: References.

There are 05 appendices supporting this report:

*Appendix 1: List of related stakeholders*

*Appendix 2: Short list of stakeholder for consultation*

*Appendix 3: Environment observation and monitoring report template*

*Appendix 4: Sample of the report to MOIT*

Some key findings of the task are listed below:

- The main legislation which governs the cement industry in Vietnam is the Master Plan for development cement industry. It is revised periodically. It shows a strong effort of the government to satisfy demand with local production. The cement demand is expected to grow in the coming year. Vietnam has good reserve of the limestone for development of the cement industry.
- There is limited legislation specifically on sustainable development of the cement industry, no regulation on MRV of the GHG emissions as such applied in the sector.
- There are lacks of incentive policy to promote low carbon options such as WHR and alternative fuels and waste treatments in kilns. While the grid connected renewable power plant received many incentive scheme such as FIT, avoided cost tariff, they probably compete with cement industry for biomass or waste sources.
- Many stakeholder feel that the energy costs in Vietnam are subsidized at the level below the international market. This could put in a barrier for investors such as ESCOs (Energy Service Company) to be active in the field of energy efficiency and renewable.
- Cement industry should not aim to be developed as large exporting industry due to its low added value while consuming lots of energy and the increasing energy demand in Vietnam put the energy supply in challenges.
- The cement standard TCVN has too few PCB cement types. There should be more types which suit different construction application to provide cement producer the possibility to reduce clinker content in cement. By doing this, the cement producer will be given a tool to increase their added value in the value chain.
- The reporting system of cement plant to ministries is complicated but does not provide sufficient information for GHG emission accounting. Cement companies do not have interest to participate in GHG emission reporting. The role of MOC in MRV should be reinforced and some capacity in this role needs to be built up from ground.
- It is recommended that the Master Plan shall be revised with stronger influence of GHG emission MRV, low carbon options promotion. Participant from international consultants may help cement industry better plan its future development and learn some lessons from developed countries. Mechanism to reinforce the Master Plan toward the market shall be clearly set up.
- International examples show that in both India and the UK, market based systems such as the UK/EU ETS and the Renewable Energy Certificates (RECs) have not had the impact that was originally envisaged, despite promising early gains. Low demand and very low prices for certificates has undermined the system and discouraged investment. Also, penalties for non-compliance have not been enforced to a significant extent.
- Taxes on carbon, energy consumption and waste have proven to have had an enduring positive impact in encouraging emissions reductions.

Recent studies have also suggested that many of the fears about the measures affecting the competitiveness of the cement industry have not been borne out in practice.

In conclusion, for the next phases of the project, the consultant team will work further

to figure out how the legal and institutional framework in Vietnam should improve gradually. The legal instruments for NAMA should be developed in priority based on several criteria: short-medium-long term, scale of impact in energy and emission reduction, availability of the resources including financial sources.

The report was developed under the framework of the Nordic Partnership Initiative Pilot Programme for Supporting Up-scaled Climate Change Mitigation Action in Vietnam's Cement Sector.

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