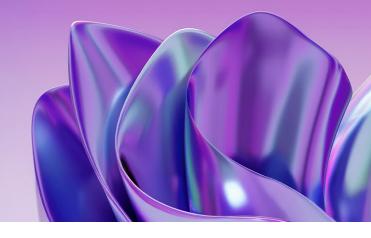


Legal Update

January 2025



Key Amendments to Vietnam's Environment Protection Regulations on the Extended Producer Responsibility (EPR)

On 6 January 2025, the Government issued Decree 05/2025/ND-CP ("Decree 05") (effective on the same day) to amend and supplement certain articles of Decree 08/2022/ND-CP ("Decree 08"), which provides guidance on implementing the Law on Environmental Protection 2020 ("LEP 2020"). Among the amendments introduced in Decree 05, there are notable amendments pertaining to the regulations on the extended producer responsibility ("EPR") framework, which governs the obligations of producers and importers regarding waste treatment and the recycling of products and packaging, compared to the provisions under Decree 08 after nearly three years of implementation. Some key changes include:

1. Clarification of entities subject to EPR obligations

Previously, under Decree 08, the obligations to implement EPR applied only to enterprises that manufactured or imported certain products and goods for distribution in the Vietnamese market. However, Decree 05 clarifies that these entities now include "organizations and individuals responsible for product and goods quality and labeling in Vietnam, in accordance with regulations on product and goods quality". This clarification helps distinguish entities that are not subject to EPR obligations, such as organizations and individuals providing import services.

Furthermore, Decree 05 revises the regulations on exemptions from EPR obligations, including:

- Amending the criteria for determining entities eligible for EPR exemptions, whereby the
 exemptions will apply to producers and importers with product sales revenue below VND 30
 billion. Specifically, Decree 05 revises the exemption basis: (i) for producers, the exemption
 was based on "revenue from the sale of goods and provision of services" and (ii) for
 importers, the exemption was based on "total import value", both have now been amended to
 "products sales revenue", additionally, the exemption threshold for importers has been
 increased from below VND 20 billion to below VND 30 billion.
- Supplementing an exemption case where a producer that has placed packaging on the
 market and later retrieves and repackages it for further distribution at a rate equal to or higher
 than the mandatory recycling rate will be exempt, thereby encouraging the reuse of
 packaging by producers.

2. Supplementing exemption cases when determining the mandatory recycling rate

For cases of recycling that are <u>not</u> counted toward the mandatory recycling rate: while retaining the exemption for recycling of imported waste materials as outlined in Decree 08, Decree 05 also adds new cases of recycling (i) packaging that is waste generated from the industrial production process and (ii) defective products discarded during the production process.

3. Supplementing the regulations on the form of implementing recycling responsibilities

Under the provisions of the LEP 2020 and Decree 08, producers and importers may fulfill their recycling responsibilities for products and packaging through one of the following forms: (i) organizing the recycling of products and packaging, or (ii) making a financial contribution to the Vietnam Environmental Protection Fund¹ to support recycling. In the case of choosing the form of "organizing the recycling of products and packaging", producers and importers may choose to implement it through one or a combination of the following methods: (a) self-recycling, (b) outsourcing the recycling to a recycling unit, or (c) authorizing an intermediary organization ("authorized party") to organize the recycling.

Regarding the method mentioned in point (b): "outsourcing the recycling to a recycling unit", producers, importers, and recycling units often face difficulties in determining whether a recycling unit has met the legal requirements, because Decree 08 and related documents **do not** specify clear criteria for identification. This gap leads to the fact that producers and importers default to selecting recycling units listed in the Ministry of Natural Resources and Environment's official lists of recycling units, even though there are no regulations restricting the use of recycling units outside of these lists. To address this gap, Decree 05 clarifies that recycling units must "have an environmental permit or an environmental component permit that includes the recycling of products and packaging", thereby providing a clear legal basis for determining whether recycling units meet the legal requirements.

Regarding the method mentioned in point (c) above: "authorizing an authorized party", Decree 05 supplements provisions requiring the responsibility of these entities to "organize the collection and be responsible for the volume of products and packaging used as raw materials for the recycling unit, corresponding to the volume authorized", and specifies that an authorized party cannot reauthorize another organization without the consent of the producer or importer who granted the authorization.

Additionally, Decree 05 specifies the method for announcing recycling units and authorized parties. Accordingly, the Ministry of Natural Resources and Environment will announce the list of entities that meet the required conditions on the National EPR information system within five working days after receiving the request, rather than having to wait for a prolonged evaluation and announcement process as in the past.

Furthermore, Decree 05 clarifies that the Government encourages producers and importers to fulfill their recycling obligations through the form of "organizing the recycling of products and packaging" instead of making a financial contribution to the Vietnam Environmental Protection Fund (this fund is established in accordance with Decision 78/2014/QD-TTg dated 26 December 2014 of the Prime Minister). This approach highlights the responsibility of producers and importers to actively fulfill their recycling obligations, and is more in line with the context where the financial contribution to the Vietnam Environmental Protection Fund is practically difficult to implement due to the fact that the "reasonable and valid recycling cost per unit volume of product and packaging" (Fs) in the formula for determining the contribution amount has not yet been issued, and there are still differing views between enterprises and competent authorities on the appropriate Fs value. In addition, Decree 05 revises the deadline for financial contributions to the Vietnam Environmental Protection Fund by requiring a one-time contribution before 20 April each year, instead of allowing payments in two installments as previously permitted.

¹ The Vietnam Environmental Protection Fund is organized and operates under Decision 78/2014/QD-TTg dated 26 December 2014 of the Prime Minister. It is a state financial organization under the Ministry of Natural Resources and Environment, with the function of providing preferential loans, grants, and interest rate support for environmental protection projects and climate change response nationwide.

4. Amendments to regulations on implementation of support for product and packaging recycling and waste treatment activities

Decree 05 removes the existing regulations on the documentation, process, and procedures for requesting financial support from the Vietnam Environmental Protection Fund for product and packaging recycling activities and waste treatment activities. Instead, the new regulation assigns the Ministry of Natural Resources and Environment to take the lead, in coordination with the Ministry of Finance, in developing and submitting to the Government for the issuance of specific regulations on financial support.

With the aforesaid removal, entities wishing to request financial support from the Vietnam Environmental Protection Fund will no longer have a mechanism to register such requests and must wait for the issuance of specific regulations in the future.

Notes for enterprises when implementing the new regulations

To ensure compliance with Decree 05 and related regulations, enterprises should note the following:

- (i) Review operations to determine whether the enterprise is subject to (or exempt from) EPR obligations, especially for enterprises responsible for product and goods quality and labeling;
- (ii) Organize the recycling of products and packaging rather than make a financial contribution to the Vietnam Environmental Protection Fund due to unclear regulations on financial contributions;
- (iii) Review and apply for the issuance or amendment of environmental permits and environmental component permits (if necessary) to comply with the new regulations in Decree 05, and request the Ministry of Natural Resources and Environment to publish their information on the National EPR information system;
- (iv) Stay updated on guidelines from authorities and consult experts about EPR regulations' impact, application, and compliance for their business.

If you have any questions or require any additional information, please contact Ms. Nguyen Mai Phuong – Partner and Ms. Chu Thi Giang – Associate Director, KPMG Law in Vietnam.

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