

## **SUMMARY Report – Study Tour on EU Green Deal**

**15<sup>th</sup> October 2023 to 21<sup>st</sup> Oct 2023**

**By**

**M. Muzzammil Husain**

With the courtesy of TextILES, GIZ and the Ministry of Commerce jointly prepared a delegation to conduct a **study on the EU Green Deal**. The programme is divided into two phases.

**Phase-1: Discussion held at Bonn, Germany at GIZ office.**

**Phase-2: Discussion held on KREAB office and EU Parliament at Brussels.**

**Phase-1:** Addressing key industry requirements and developing approaches for public and private sector stakeholders for the adoption of international labour and environmental standards. This included supporting the Ministry of Commerce directly with the improvement of GSP Plus processes.

**Phase-2:** TextILES II will be starting in January 2024. The focus was on the EU Green Deal and relevant EU legislation and trade requirements that will have implications for the textile and fashion industry of Pakistan going forward. It would also focus on promoting circular business practices and circularity principles in Pakistan's textile and fashion industry.

### **Following participated**

<b>S/N</b>	<b>Name</b>	<b>Designation</b>
1	Mr Fasih Ahmad	Joint Secretary, WTO Wing
2	Mr Muhammad Irfan	Director General, Trade Policy Wing
3	Mr Mudassar Raza Siddiqui	Director General, Textile Wing
4	Mr Salman Ahmad Choudry	Deputy Secretary, Exim Wing
5	Mr Atif Aziz	Joint Secretary, Trade Diplomacy Wing
6	Mr Muhammad Suleman Mahsud	Joint Secretary, Trade Diplomacy Wing
7	Mr Fawad Hassan	Director to Secretary Commerce
8	Mr Ahmad Ali,	Trade Development Authority
9	Mr Muhammad Muzzammil Hussain	Secretary General, Towel Manufacturers Association
10	Mr Azizullah Goheer	Secretary General, Pakistan Textile Exporters Association
11	Mr Muhammad Iqbal Sheikh	CEO, Pakistan Textile Council
12	Mr Muhammad Aasim Syed	Chairman, All Pakistan Bedsheets and Upholstery Manufacturers Association
13	Mr Shoaib Sultan	Chairman, Marble, Granite and Mineral's Council
14	Mr Khadim Rasool	Secretary General, PHMA

S/N	Name	Designation
15	Dr Tanveer Hussain	Rector, National Textile University
16	Ms. Noreen Akhtar	Research Associate, APTMA
17	Mr. Imran Salahudin	Managing Director Faaz International
18	Mr Abdul Rauf Anjum	Technical Advisor, Governance GIZ
19	Al Assad, Muhammad Ammar Faisal	Managing Director, South Asian Sourcing Pvt. Ltd.
20	Mr Noor Khan	Component Manager, GIZ
21	Mr Muhammad Hassan Hameed Khan	Technical Advisor, Policy Reform
22	Yulia Bazhenova	Project Manager Textiles

The aim of the study tour was to build an understanding of the EU Green Deal, its various legislations, directives and related strategies leading towards the identification of priority areas for policy development and support interventions for the textile industry of Pakistan.

The focus was given on the following list of legislation as part of the EU Green Deal as they currently have implications for the textile industry or are expected to affect the textile industry in the near future. These may include implications for the competitiveness of Pakistan's textile industry and access to the EU single market.

- Carbon Border Adjustment Mechanism (CBAM)
  - Understanding the EU Emissions Trading System and the Carbon Pricing Model
- EU Strategy on Sustainable and Circular Textiles
  - EU eco-design for Sustainability Products Regulation
  - EU Microplastics Regulation
  - EU textile regulation
- EU Corporate Sustainability Due Diligence Directive

The expected outcome of the study trip is that the delegation members will be able to define priority areas and develop an action plan that will be taken up with the agreement of relevant stakeholders.

### **Carbon Border Adjustments (CBAM)**

The EU ETS covers approximately 10,000 installations in EU

- Electricity and heat generation
- Energy intensifying industrial sector (oil refinery, iron, Steel, cement, aluminium, metal, glass, lime, ceramics, pulp, paper, acids, bulk organic chemicals.
- Commercial aviation

## Confrontational and adaptation major economics

China, India, Vietnam, Cambodia, USA, USSR and many others criticize CBAM. However, they started working e.g. China considered a life cycle assessment policy; India started the development of guidelines for emission monitoring, reporting and verification systems and established the development of a Road Map for green steel production.

### KEY TAKEAWAYS

- ✓ The transition period with reporting requirements is ongoing. The full implementation including the obligation to purchase CBAM certificates will begin in 2026. The key framework will likely study the same for the coming years

### Now Question arises

- ❖ Are exporters from Pakistan aware of this time schedule and their potential obligations in each phase? Where does Pakistan stand in terms of both the public and private sectors being able to measure, monitor, report and verify emissions?
- ✓ The Carbon price to be paid to the EU ultimately depends on the carbon content of the goods and the carbon price paid by the country of Origin.

### Now Question arises

- ❖ What would be CBAM? How does the carbon intensity of Pakistan's exports compare to its competitors? What role do carbon prices play in domestic industries?
- ✓ CBAM will initially apply to six sectors. The inclusion of Textiles is unlikely before 2030.

## CALCULATION METHODS AND DEFAULT VALUES (CBAM)

Simple Goods :  $SEE_g = AttrEm_g / Al_g$

Complex Goods:  $SEE_g = AttrEm_g + EE_{InpMat} / Al_g$

Whereas:

$SEE_g$  Embedded emission of one tone of goods expressed in tones of CO<sub>2</sub>e Emissions per tones of goods

$AttrEm_g$  Attributed emissions due to the production of process of goods during the Reporting period. Consists of direct and indirect emissions.

$AL_g$  Activity level of goods, meaning the quantity of goods produced in the reporting period of the installation.

$EE_{inpMat}$  Embedded emissions of the input materials consumed when producing a good.