

PREPARATIONS NEEDED FOR VIET NAM FOR PILOT OPERATION OF THE DOMESTIC CARBON MARKET IN 2025 AND OFFICIAL OPERATION IN 2028

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CONTENTS

1. Overview of the carbon market in Viet Nam

2. ETS pilot operation in 2025 and official operation in 2028: Key activities and roles of relevant regulatory agencies

3. Recommendations



1. Overview of the carbon market in Viet Nam (1)

Law on Environmental Protection (2020)

Regulate the basic legal framework for the domestic carbon market development through Article 139

Decision No. 06/2022/ND-CP on GHG emissions mitigation and protection of the ozone layer (2022)

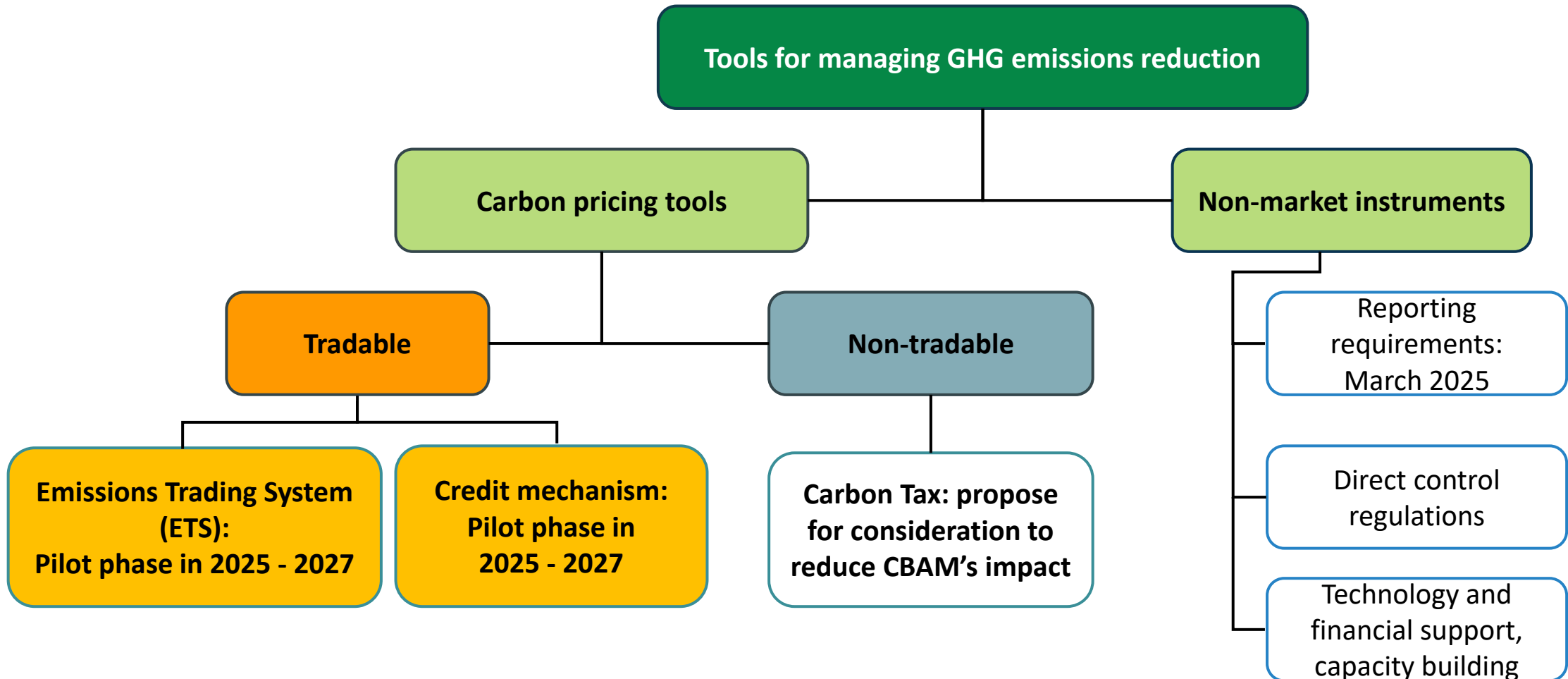
Regulate the detailed provisions of Article 91 “GHG emissions mitigation”, and Article 139 “The organization and development of the domestic carbon market” of Law on Environmental Protection 2020

Decision No. 01/2022/QD-TTg on promulgation of lists of sectors and facilities subject to GHG inventory (2022)

Entities participating in the carbon market according to Article 5, point 1 of Decree 06

1. Overview of the carbon market in Viet Nam (2)

The tool system for managing GHG emissions reduction



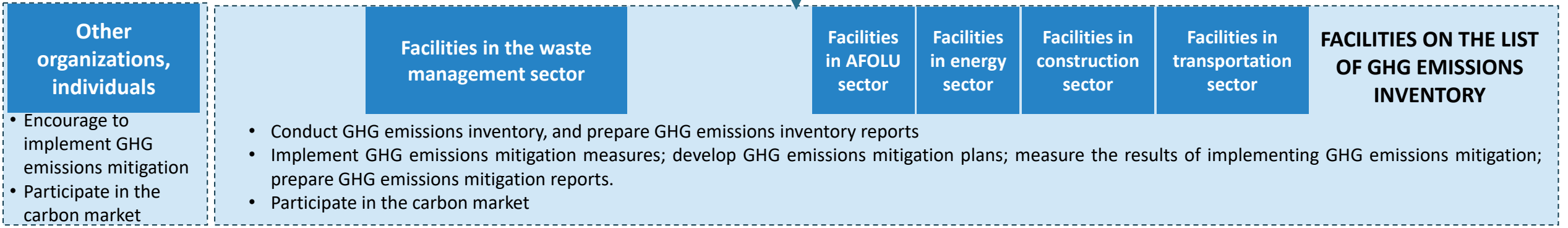
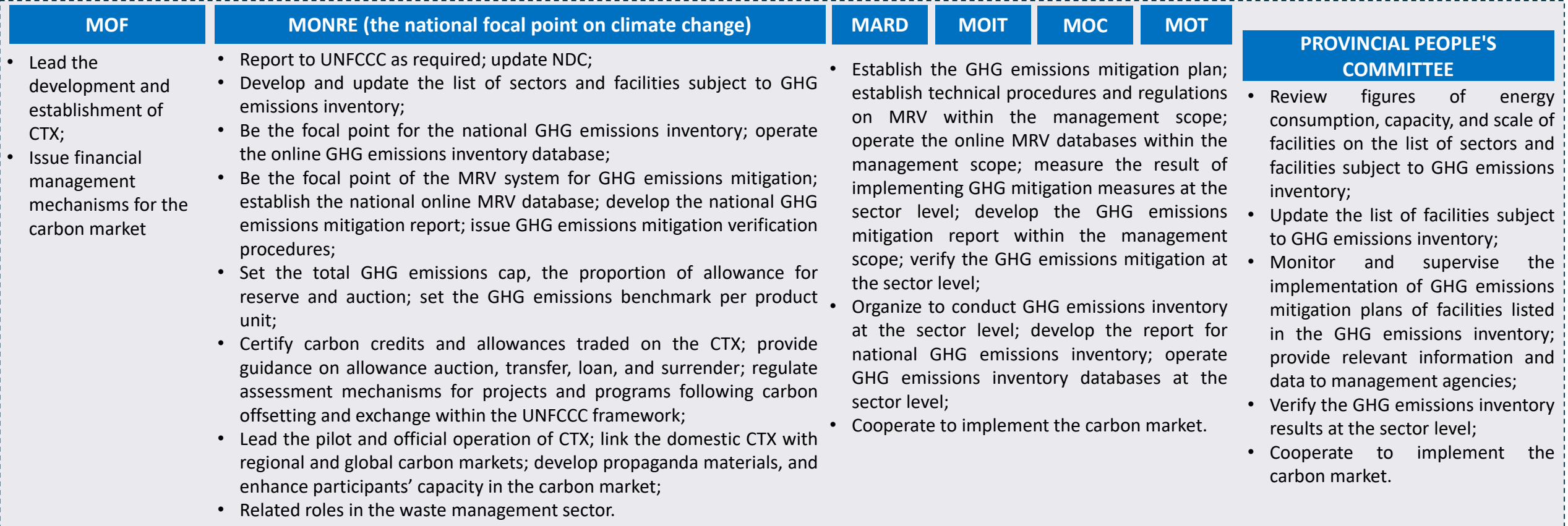
1. Overview of the carbon market in Viet Nam (3)

The roadmap of carbon market development in Viet Nam

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	...
Preparation phase: <ul style="list-style-type: none"> - Establishing methodology, and regulation on management of carbon credit and emission allowance. - MRV guidance. - Implement a pilot carbon credit trading scheme in prospective fields of the market and provide industrial players with guidance. - National GHGs inventory. - Registry system. - Governance. - Promote activities for awareness raising and capacity building on carbon market development. 										
2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	...
				Pilot phase: <ul style="list-style-type: none"> - Operate a carbon credit exchange mechanism on a pilot basis from 2025. 						
2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	...
							Implementation phase <ul style="list-style-type: none"> - Officially start operation of the carbon credit exchange mechanism. 			

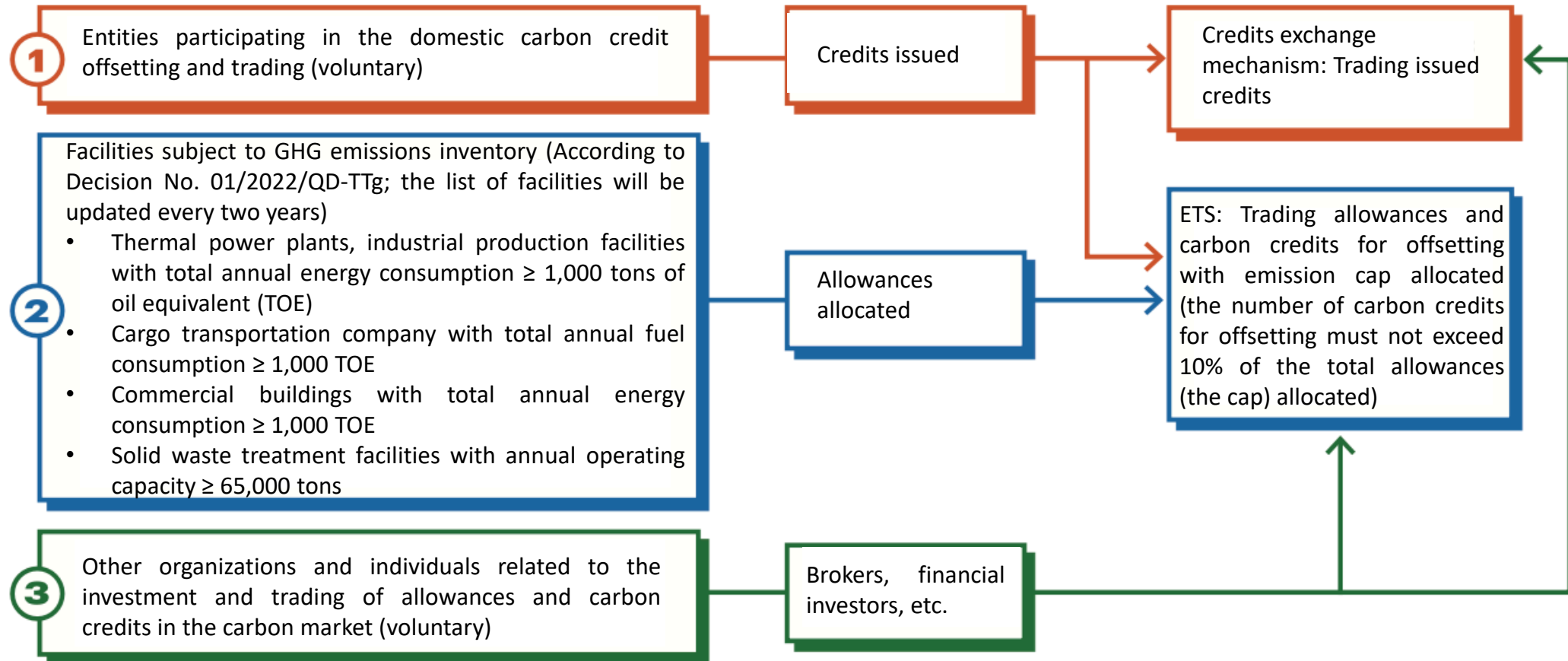
Source: Decree No. 06/2022/ND-CP

THE GOVERNMENT



1. Overview of the carbon market in Viet Nam (4)

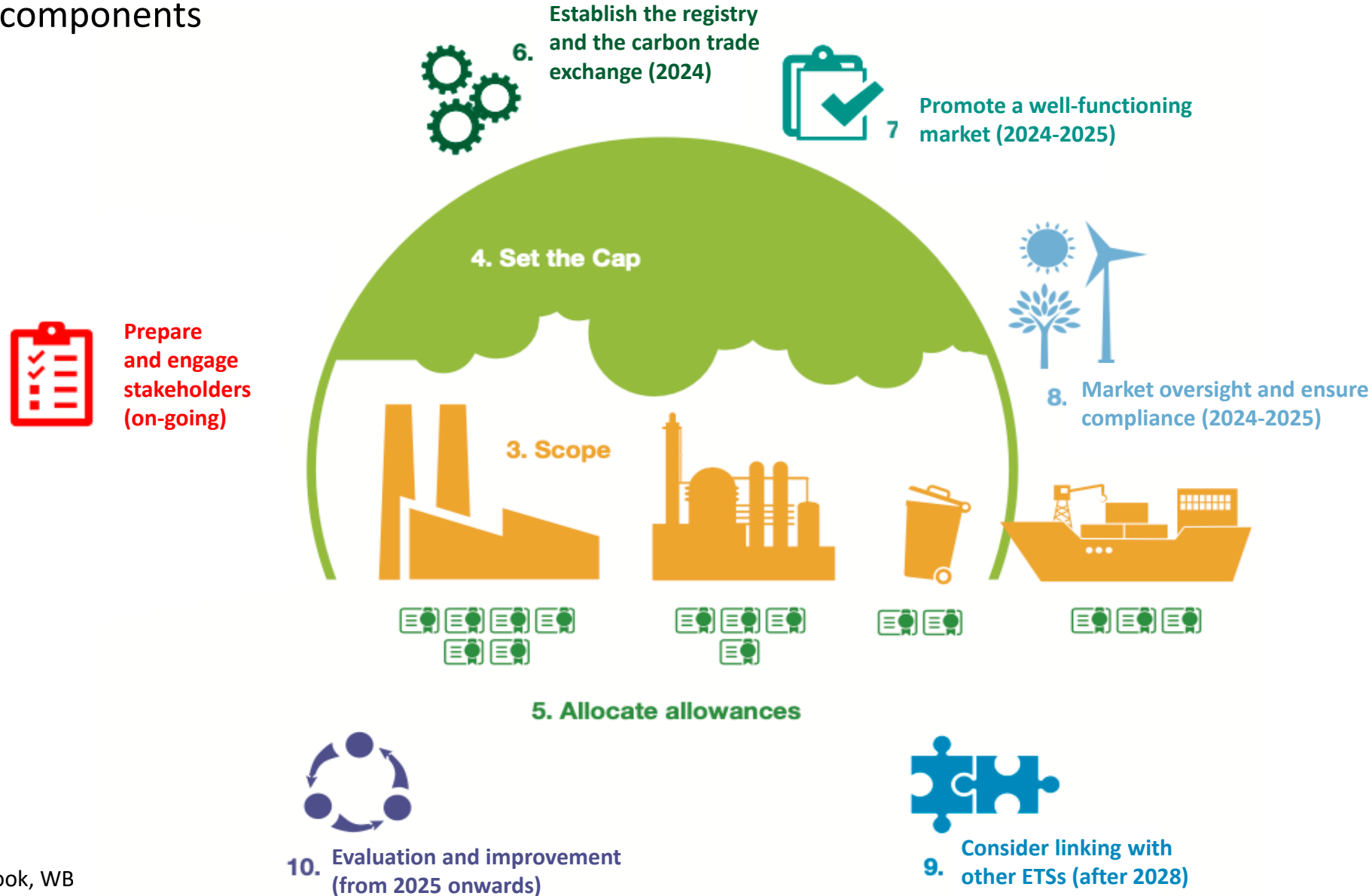
The interaction among three key participants participating in the domestic carbon market as regulated in Decree No. 06/2022/ND-CP.



Source: Compiled based on Decree No. 06/2022/ND-CP

2. ETS pilot operation in 2025 and official operation in 2028 (1)

ETS: The main components



Source: Compiled from ETS Handbook, WB

2. ETS pilot operation in 2025 and official operation in 2028 (2)

Activities proposed by the Consultant:

2024: Select options for the ETS pilot and design phase; issue legal documents for the ETS pilot and design phase

<p>ETS capacity building, training, and simulation for stakeholders</p> <p>(Technical Assistance supported by ETP is ongoing until the end of 2024)</p>	<p>KEY DESIGN FACTORS</p>	<p>ESTABLISH THE REGISTRY AND CARBON TRADE EXCHANGE (CTX)</p>	<ul style="list-style-type: none"> Establish the registry and the operation agency 	MONRE		
			<ul style="list-style-type: none"> Establish the CTX and the operation agency 		MOF	
			<ul style="list-style-type: none"> Establish a system for information exchange and connection between the registry and CTX 	MONRE	MOF	
		<p>DETERMINE THE SCOPE</p>	<p>Identify the scope of policy impact: Identify the emission sources, emission sectors, and emission cap in the pilot phase:</p>	MONRE		
			<ul style="list-style-type: none"> Regulate the focal point of facilities responsible for compliance 	MONRE		
			<ul style="list-style-type: none"> Certify types of credits eligible for offsetting 	MONRE		
		<p>SET THE EMISSION CAP</p>	<ul style="list-style-type: none"> Set the cap, duration of the cap and the compliance period 	MONRE		
			<ul style="list-style-type: none"> Determine the identification and unit of allowances and offset credits 		MOF	
			<ul style="list-style-type: none"> Develop an accurate database structure for setting the emission cap: Macro-level data on emissions and economy; Business-as-usual (BAU) scenario; emission mitigation potential of participating sectors; GHG inventory data at all levels 	MONRE		OM/P
	<p>ALLOWANCE ALLOCATION METHODOLOGY</p>	<ul style="list-style-type: none"> Identify allowance allocation methodology 	MONRE			
		<ul style="list-style-type: none"> Allowance allocation process/procedure 				
		<ul style="list-style-type: none"> Develop the GHG inventory database at the facility level 	MONRE		OM/P	
	<p>GOVERNANCE AND OPERATIONAL FACTORS</p>	<p>PROMOTE A WELL-FUNCTIONING MARKET</p>	<p>Select options to promote a well-functioning market to ensure effective operation:</p>			
			<ul style="list-style-type: none"> Identify intervention measures, market coordination, and intervention scenarios 	MONRE	MOF	
			<ul style="list-style-type: none"> Establish regulations on banking, loan, and surrender of allowances; the use of carbon credits for offsetting 	MONRE		
<ul style="list-style-type: none"> Methods for transactions of market participants 				MOF		
<ul style="list-style-type: none"> Procedures and mechanisms for market regulation and intervention when necessary 		MONRE	MOF			
<p>MARKET OVERSIGHT AND ENSURE COMPLIANCE</p>		<ul style="list-style-type: none"> Regulations on Monitoring, Reporting and Verification (MRV) process Develop management/verification process for verifiers; verification procedures of verifiers and market surveillance authorities 	MONRE			
<p>EVALUATE AND PROPOSE FOR IMPROVEMENT</p>	<ul style="list-style-type: none"> Define the timeline for evaluating the pilot operation phase; engage stakeholders in assessment; and establish evaluation procedures 	MONRE	MOF	OM/P		

MONRE The Ministry of Natural Resources and Environment

MOF The Ministry of Finance

OM/P Other ministries, ministerial agencies/Provincial People's Committee

2. ETS pilot operation in 2025 and official operation in 2028 (3)

Activities proposed by the Consultant:

2025: Implement pilot activities; prepare comprehensive ETS designs; issue additional legal documents for the ETS pilot and design phase

ETS capacity building, training, and simulation for stakeholders	KEY DESIGN FACTORS	ESTABLISH AND OPERATE THE REGISTRY AND CARBON TRADE EXCHANGE (CTX)	<ul style="list-style-type: none"> Pilot operation of the registry Pilot operation of CTX Research and propose options for official operation of CTX in 2028 	MONRE	MOF	
				MONRE	MOF	
				MONRE	MOF	
		DETERMINE THE SCOPE	<ul style="list-style-type: none"> Issue legal documents for the pilot activities as determined in 2024 	MONRE		
		SET THE EMISSION CAP	<ul style="list-style-type: none"> Research and propose options for the official operation in 2028 Develop a comprehensive database for identifying emission cap and allowance allocation for the official operation in 2028 	MONRE	MOF	
		ALLOWANCE ALLOCATION METHODOLOGY		MONRE		OM/P
	GOVERNANCE AND OPERATIONAL FACTORS	PROMOTE A WELL-FUNCTIONING MARKET	<ul style="list-style-type: none"> Pilot activities as identified in 2024 	MONRE	MOF	
		MARKET OVERSIGHT AND ENSURE COMPLIANCE	<ul style="list-style-type: none"> Conduct monitoring activities to ensure compliance in the pilot phase 	MONRE	MOF	
		EVALUATE AND PROPOSE FOR IMPROVEMENT	<ul style="list-style-type: none"> Develop the evaluation report and propose improvements and adjustments at the end of the year 	MONRE	MOF	OM/P

2. ETS pilot operation in 2025 and official operation in 2028 (4)

Activities proposed by the Consultant:

- 2026-2027: Implement pilot activities; prepare comprehensive ETS designs; issue additional legal documents for the ETS pilot and design phase
- 2028: Official operation of ETS

		2026 - 2027	2028						
ETS capacity building, training, and simulation for stakeholders									
KEY DESIGN FACTORS	ESTABLISH AND OPERATE THE REGISTRY AND CARBON TRADE EXCHANGE (CTX)	<ul style="list-style-type: none"> • Pilot operation of ETS 	MONRE	MOF		<ul style="list-style-type: none"> • Operate the official ETS 	MONRE	MOF	
	DETERMINE THE SCOPE	<ul style="list-style-type: none"> • Prepare the assessment report and propose improvements after each pilot year 	MONRE	MOF		<ul style="list-style-type: none"> • Prepare the assessment report and propose improvements after each operation year 	MONRE	MOF	
	SET THE EMISSION CAP	<ul style="list-style-type: none"> • Supplement/improve the comprehensive and accurate database for determining the emission cap and allocating allowances 	MONRE		OM/P	<ul style="list-style-type: none"> • Continue to supplement/improve the comprehensive and accurate database for determining the emission cap and allocating allowances 	MONRE		OM/P
	ALLOWANCE ALLOCATION METHODOLOGY								
GOVERNANCE AND OPERATIONAL FACTORS	PROMOTE A WELL-FUNCTIONING MARKET	<ul style="list-style-type: none"> • Finalize and issue legal documents and regulations on design and management methods for improved/adjusted operation of the official ETS 	MONRE	MOF		<ul style="list-style-type: none"> • Finalize and issue regulations for improvements/adjustments to the official ETS 	MONRE	MOF	
	MARKET OVERSIGHT AND ENSURE COMPLIANCE					<ul style="list-style-type: none"> • Consider linking with other ETSs (after the first official operation period) 	MONRE	MOF	
	EVALUATE AND PROPOSE FOR IMPROVEMENT	<ul style="list-style-type: none"> • Develop and issue a master plan for the ETS (5-10 years) 	MONRE	MOF		<ul style="list-style-type: none"> • Develop and issue a master plan for the ETS (5-10 years) 	MONRE	MOF	

MONRE The Ministry of Natural Resources and Environment

MOF The Ministry of Finance

OM/P Other ministries, ministerial agencies/Provincial People's Committee

3. RECOMMENDATIONS

- **The time until the pilot phase (2025) is short:**
 - It requires **political determination** and **active participation** from various stakeholders
 - **Multiple tasks** need to be carried out simultaneously, and **an appropriate scale** for the pilot phase needs to be selected
- **There are many new technical and managerial requirements:** significant resources are needed, and numerous legal documents and implementation guidelines need to be issued **in 2024**
- **For ETS:**
 - Operating ETS is challenging without sufficient databases of large emitters (**the first reporting deadline is March 2025**)
 - Pilot ETS on **the most feasible scale** (Thailand started with 7 enterprises, Indonesia with 32 enterprises, 75% of which are in the power sector)
- **International support is crucial**, especially in 2024
- **The carbon market is volatile**, requiring **flexible policies and continuous adjustments**

THANK YOU!



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