





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)

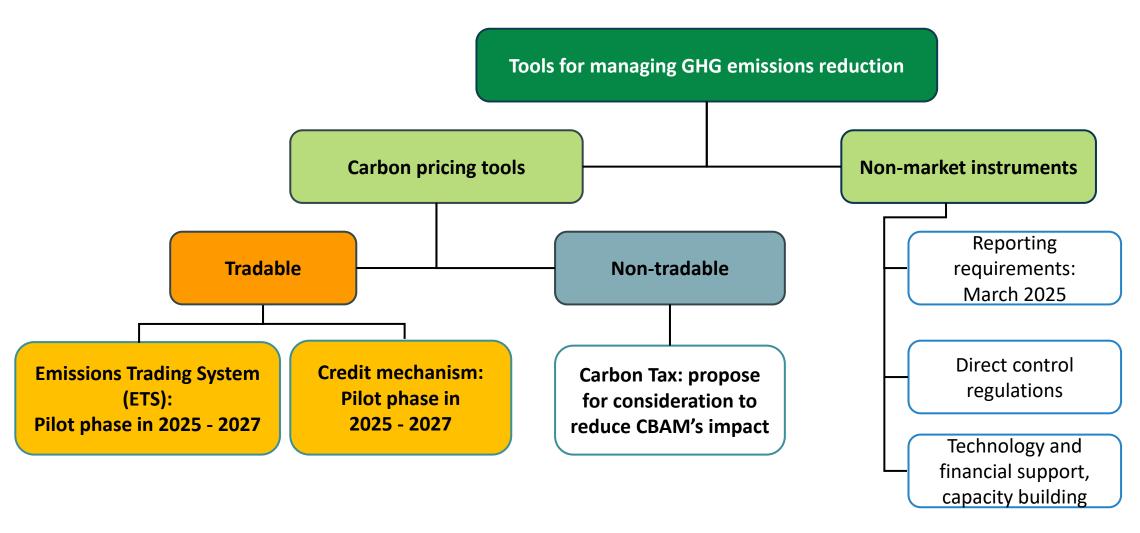
Regulate the detailed provisions of Article 91 "GHG emissions mitigation", and Article 139 "The organization and development of the domestic carbon market" of Law on Environmental Protection 2020

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: - 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								2029	2030	
				exchar	e: te a carbon nge mechan asis from 20	ism on a				
2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
							- Officia	i <mark>tation phas</mark> lly start ope exchange m	ration of th	e carbon

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

THE GOVERNMENT



	MOF	MONRE (the national focal point on climate change)	MARD	MOIT	МОС	МОТ	PROVINCIAL PEOPLE'S
•	Lead the development and establishment of CTX; Issue financial management mechanisms for the carbon market	 Report to UNFCCC as required; update NDC; Develop and update the list of sectors and facilities subject to GHG emissions inventory; Be the focal point for the national GHG emissions inventory; operate the online GHG emissions inventory database; Be the focal point of the MRV system for GHG emissions mitigation; establish the national online MRV database; develop the national GHG emissions mitigation report; issue GHG emissions mitigation verification procedures; Set the total GHG emissions cap, the proportion of allowance for reserve and auction; set the GHG emissions benchmark per product unit; Certify carbon credits and allowances traded on the CTX; provide guidance on allowance auction, transfer, loan, and surrender; regulate assessment mechanisms for projects and programs following carbon offsetting and exchange within the UNFCCC framework; Lead the pilot and official operation of CTX; link the domestic CTX with regional and global carbon markets; develop propaganda materials, and enhance participants' capacity in the carbon market; Related roles in the waste management sector. 	establish to on MRV operate the managem implement sector le mitigation scope; ver the sector Organize to at the sector level sector level sector level sector level on MRV on MRV operational of the sector level on MRV operational sector level on MRV operational of the sector level on MRV operation of the sector level on MRV operation of the sector level on MRV operation of the sector level of the sector leve	to conduct G ector level; (GHG emissions inven	cedures and emanagem RV databases measure the tigation mead the GHG thin the memissions numbers inventory databases and the the thin the memissions of the theory databases and the theory databases	regulations ent scope; swithin the e result of sures at the emissions anagement nitigation at as inventory report for ry; operate ses at the	 COMMITTEE Review figures of energy consumption, capacity, and scale of facilities on the list of sectors and facilities subject to GHG emissions inventory; Update the list of facilities subject to GHG emissions inventory;
		•					

Other organizations, individuals

- Encourage to implement GHG emissions mitigation
- Participate in the carbon market

Facilities in the waste management sector

in AFOLU sector

Facilities

Facilities in energy sector

Facilities in construction t sector

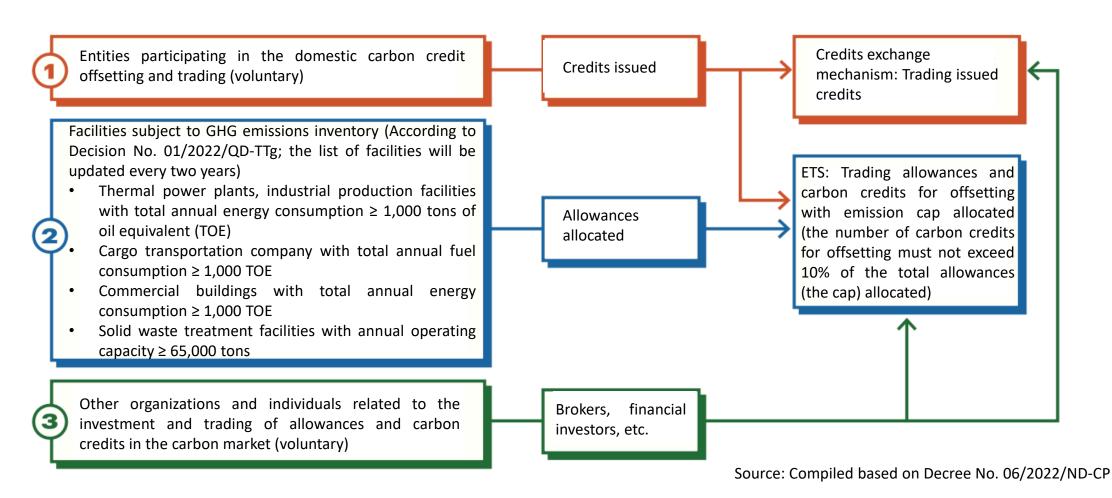
Facilities in transportation sector

FACILITIES ON THE LIST
OF GHG EMISSIONS
INVENTORY

- Conduct GHG emissions inventory, and prepare GHG emissions inventory reports
- Implement GHG emissions mitigation measures; develop GHG emissions mitigation plans; measure the results of implementing GHG emissions mitigation; prepare GHG emissions mitigation reports.
- Participate in the carbon market

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

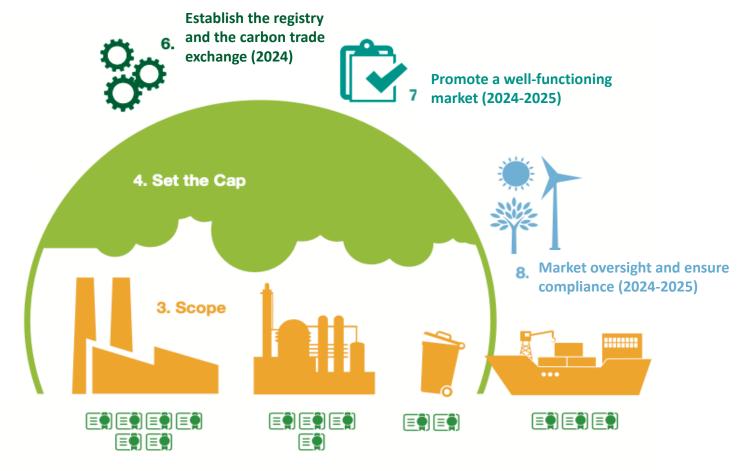
The interaction among three key participants participating in the domestic carbon market as regulated in Decree No. 06/2022/ND-CP.



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

ETS: The main components





5. Allocate allowances





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

		ESTABLISH THE	Establish the registry and the operation agency	MONRE				
		REGISTRY AND CARBON	Establish the CTX and the operation agency					
		TRADE EXCHANGE (CTX)	• Establish a system for information exchange and connection between the registry and CTX	MONRE	MOF			
		DETERMINE THE SCOPE	Identify the scope of policy impact: Identify the emission sources, emission sectors, and emission cap in the pilot phase:	MONRE				
			Regulate the focal point of facilities responsible for compliance	MONRE				
	KEY DESIGN		Certify types of credits eligible for offsetting	MONRE				
ETS capacity	FACTORS		• Set the cap, duration of the cap and the compliance period					
building,		SET THE EMISSION CAP	Determine the identification and unit of allowances and offset credits					
training, and simulation for stakeholders		SET THE EIVISSION CAP	• Develop an accurate database structure for setting the emission cap: Macro-level data on emissions and economy;	MONRE		OM/P		
			Business-as-usual (BAU) scenario; emission mitigation potential of participating sectors; GHG inventory data at all levels	MONKE		OFIF		
		ALLOWANCE	Identify allowance allocation methodology	MONRE				
		ALLOCATION METHODOLOGY	Allowance allocation process/procedure					
(Technical Assistance			Develop the GHG inventory database at the facility level	MONRE		OM/P		
supported by			Select options to promote a well-functioning market to ensure effective operation:					
ETP is ongoing		PROMOTE A WELL- FUNCTIONING MARKET	• Identify intervention measures, market coordination, and intervention scenarios					
until the end of			• Establish regulations on banking, loan, and surrender of allowances; the use of carbon credits for offsetting	MONRE				
2024)	GOVERNANCE		Methods for transactions of market participants					
	AND		 Procedures and mechanisms for market regulation and intervention when necessary 					
	OPERATIONAL	MARKET OVERSIGHT	Regulations on Monitoring, Reporting and Verification (MRV) process					
	FACTORS	AND ENSURE	• Develop management/verification process for verifiers; verification procedures of verifiers and market surveillance					
		COMPLIANCE	authorities					
		EVALUATE AND	Define the timeline for evaluating the pilot operation phase; engage stakeholders in assessment; and establish					
		PROPOSE FOR IMPROVEMENT	evaluation procedures	MONRE	MOF	OM/P		

MONRE The Ministry of Natural Resources and Environment

MOF The Ministry of Finance

/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	KEY DESIGN	ESTABLISH AND OPERATE THE REGISTRY AND CARBON	Pilot operation of the registry Pilot operation of CTX	MONRE MONRE		
		TRADE EXCHANGE (CTX)	Research and propose options for official operation of CTX in 2028	MONRE		
		DETERMINE THE SCOPE	Issue legal documents for the pilot activities as determined in 2024	MONRE		
	FACTORS	SET THE EMISSION CAP	 Research and propose options for the official operation in 2028 Develop a comprehensive database for identifying emission cap and 	MONRE	MOF	
building, training, and		ALLOWANCE ALLOCATION METHODOLOGY	allowance allocation for the official operation in 2028	MONRE		OM/P
simulation for stakeholders	GOVERNANCE	PROMOTE A WELL- FUNCTIONING MARKET	Pilot activities as identified in 2024	MONRE	MOF	
	AND OPERATIONAL	MARKET OVERSIGHT AND ENSURE COMPLIANCE	Conduct monitoring activities to ensure compliance in the pilot phase	MONRE	MOF	
	FACTORS	EVALUATE AND PROPOSE FOR IMPROVEMENT	• 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	Pilot operation of ETS	MONRE	MOF	Operate the official ETS	MONRE	MOF			
	TRADE EXCHANGE (CTX)	Prepare the assessment report and propose improvements after each pilot year	MONRE I	моғ	Prepare the assessment report and propose improvements after each operation year	MONRE	MOF			
	DETERMINE THE SCOPE									
	SET THE EMISSION CAP	Supplement/improve the comprehensive and accurate database for determining the	MONRE	o	• Continue to supplement/improve the comprehensive and accurate database for determining the emission cap	MONRE		ом/Р		
	ALLOWANCE ALLOCATION METHODOLOGY	emission cap and allocating allowances			and allocating allowances					
GOVERNANCE AND OPERATIONAL FACTORS	PROMOTE A WELL- FUNCTIONING MARKET	Finalize and issue legal documents and regulations on design and management	MONRE I	MOE	 Finalize and issue regulations for improvements/adjustments to the official ETS 	MONRE	MOF			
	MARKET OVERSIGHT AND ENSURE COMPLIANCE	methods for improved/adjusted operation of the official ETS		WIOF	Consider linking with other ETSs (after the first official operation period)	MONRE	MOF			
	EVALUATE AND PROPOSE FOR IMPROVEMENT	• Develop and issue a master plan for the ETS (5-10 years)	MONRE I	MOF	Develop and issue a master plan for the ETS (5-10 years)	MONRE	MOF			

MONRE The Ministry of Natural Resources and Environment

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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!





