REPORT

Policy Recommendations on Management Instruments for Viet Nam's Participation in International Carbon Markets Frameworks for Article 6 Implementation

Paris Agreement Article 6 Operationalization and Carbon Credit Offsetting Standards

MARCH 2026

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Deliverable 7: Policy Recommendations on Management Instruments for Viet Nam's Participation in International Carbon Markets

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COLOPHON AND DISCLAIMER

Beneficiaries

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Acknowledgements

We would like to thank the Department of Climate Change under the Ministry of Agriculture and Environment of Viet Nam and the Southeast Asia Energy Transition Partnership for their collaboration and support, insightful comments, and advice for the completion of this Report.

EXECUTIVE SUMMARY

Context

Viet Nam is entering a critical phase in the development of its carbon market and international climate cooperation mechanisms. As the country prepares to pilot a domestic carbon market and expand engagement in international carbon markets, establishing a coherent regulatory and institutional framework for cooperation under Article 6 of the Paris Agreement has become increasingly important.

The legal foundation for carbon market development has been established through the Law on Environmental Protection (LEP 2020), Decree No. 06/2022/ND-CP, and its amendment under Decree No. 119/2025/ND-CP. These instruments provide the basis for greenhouse gas inventory systems, mitigation planning, and the gradual development of a domestic emissions trading system (ETS). At the same time, the international rules for Article 6 have been finalised, creating new opportunities for countries to cooperate through international carbon markets.

Within this evolving policy landscape, the *Draft Government Decree on the international exchange of greenhouse gas emission mitigation outcomes and carbon credits (Draft Decree on ITMOs)* represents a key regulatory step toward enabling Viet Nam's participation in international carbon markets.

This report, Deliverable 7 *"Policy Recommendations on Management Instruments for Viet Nam's Participation in International Carbon Markets"*, provides targeted policy recommendations to operationalise Viet Nam's participation in Article 6 mechanisms.

Building on Deliverable 2 - which assessed international experience, Viet Nam's readiness, and gaps in the Draft Decree - this report translates analytical findings into technical policy guidance. The focus is on four core management instruments that are critical for both government implementation and private sector participation:

- Eligible mitigation activities
- Maximum international transfer rates
- Fiscal instruments and revenue mechanisms
- Administrative procedures and institutional arrangements

These elements collectively determine investment attractiveness, regulatory clarity, and the integrity of Viet Nam's participation in international carbon markets.

Key findings

The analysis shows that Viet Nam has made strong progress in establishing a regulatory framework for international carbon market participation. The Draft Decree provides an important foundation and reflects a strong policy intention to manage international transfers in a structured and transparent manner.

International experience suggests that successful Article 6 participation requires a combination of clear national procedures, robust monitoring, reporting and verification (MRV), and accounting systems, transparent registry infrastructure, and strong institutional coordination. Countries that have advanced in Article 6 implementation have generally adopted phased approaches:

establishing core legal rules first, then building capacity, testing procedures through early projects, and adjusting implementation arrangements as market experience grows.

For Viet Nam, the main challenge is therefore not the need for a fundamental redesign of the framework. Rather, the priority is to ensure that the framework is implemented in a way that is clear, credible, and adaptive.

Four main policy tensions are identified.

First, the eligible activities framework must balance clarity and flexibility. Annex I provides a useful basis by identifying activities eligible for international transfer and assigning maximum transfer rates. However, fixed lists may become outdated as technologies evolve, NDC priorities are updated, and new methodologies emerge under Article 6.4 and independent carbon standards. Viet Nam may therefore need a transparent process to review Annex I over time, while avoiding unnecessary uncertainty for current project developers.

Second, the transfer-rate framework must balance investment incentives and NDC safeguarding. The 90% and 50% maximum transfer rates provide a practical mechanism to retain a share of mitigation outcomes (MO) for national use while still allowing projects to access international carbon finance. However, the basis for assigning activities to different lists could be further structured and made more policy-driven, particularly by linking each category to Viet Nam's NDC priorities, technology transfer objectives, domestic market development needs, and the level of mitigation or overselling risk.

Third, fiscal and benefit-sharing arrangements must balance public value capture and market development. Carbon credit/MO retention can help preserve MO for domestic use, but in the absence of strong domestic demand (in a very early stage of the national ETS), it may create uncertainty over the value of retained credits. Over time, Viet Nam may consider whether administrative fees, transfer-related charges, or benefit-sharing arrangements could complement the retention approach. Any such instruments should remain simple, transparent, proportionate, and consistent with the broader legal framework on public finance, taxation, fees, public assets, and investment.

Fourth, administrative procedures must balance technical rigour and efficiency. International transfer approval requires careful assessment of additionality, sustainability, MRV, carbon standards, CA, and national interest. At the same time, lengthy or unclear procedures could reduce investor confidence. Viet Nam can address this by maintaining MAE's lead role, ensuring structured consultation with relevant ministries, using defined timelines, and mobilising technical expertise where needed, without creating unnecessary new institutional layers.

Key policy directions

For eligible mitigation activities, Viet Nam should maintain the clarity provided by Annex I while ensuring that the list can be reviewed and updated in response to practical implementation experience, NDC updates, technology development, and market demand. The classification of activities should be supported by a clearer policy explanation so that project developers, ministries, and international partners understand the basis for different transfer rates.

For maximum international transfer rates, the rate structure can serve as a practical starting point. Its credibility will be strengthened if the classification of activities is transparently linked to national mitigation priorities and reviewed periodically as the domestic ETS develops and Viet Nam's NDC implementation progresses.

For fiscal instruments and revenue mechanisms, Viet Nam should proceed cautiously. The immediate priority is not to introduce complex new fiscal mechanisms, but to assess how retained credits, potential fees, benefit-sharing arrangements, and revenues from public or PPP projects should be treated consistently with existing financial laws. A gradual approach would help avoid excessive transaction costs while preserving the possibility of capturing public value from international transfers.

For administrative procedures, Viet Nam should prioritise clarity, coordination, and practical implementation. The report does not recommend establishing a new inter-ministerial authorisation committee as a prerequisite for implementation. Instead, the preferred approach is to build on MAE's lead role, formal consultation with relevant ministries, written opinions within defined timelines, and support from qualified technical experts.

Cross-cutting implementation considerations

Several cross-cutting issues will determine whether the framework can move from regulation to effective implementation.

First, authorisation, registry recording, corresponding adjustment, and reporting should be treated as a connected implementation chain to reduce risks of inconsistent records and to support Viet Nam's reporting under the Enhanced Transparency Framework.

Second, the interaction between international transfers and the domestic ETS should be monitored as the domestic market develops, particularly in relation to retained credits, domestic credit supply, offset eligibility, and possible price effects.

Third, the relationship with voluntary carbon markets should be clearly managed by distinguishing between voluntary credits that are not authorised for international transfer and credits that are authorised for Article 6, CORSIA, or other international mitigation purposes.

Fourth, fiscal and benefit-sharing options should be considered carefully and in coordination with existing public finance, tax, fee, public asset, investment, and PPP regulations.

Finally, early implementation will require practical capacity building, including launch events, technical training, and the possible formulation of a pool of technical experts to support government agencies and market participants in understanding and applying the new framework.

Implementation priorities

In the near term, the priority should be communication, capacity building, and stakeholder readiness. Following issuance of the Decree, MAE may consider organising launch events, technical briefings, and training sessions to introduce the framework to relevant ministries, local authorities, project developers, carbon standard bodies, validation and verification bodies, and potential international partners.

These activities should help stakeholders understand:

- the scope and key provisions of the Decree;
- procedures for project registration and approval for international transfer;
- corresponding adjustment requirements;
- recording and publication of information on the National Registry System;
- application of Annex I and maximum transfer rates;
- differences between Article 6.2, Article 6.4, and independent carbon standards;
- the relationship between international transfers and Viet Nam's domestic carbon market.

In parallel, the formation of a technical expert pool would help strengthen implementation capacity and support consistent interpretation of complex project and methodology issues. This is especially important during the early implementation period, when both public agencies and market participants are still developing practical experience with Article 6 requirements.

In the medium term, implementation should focus on system integration and market coherence. As the domestic ETS, registry infrastructure, and carbon trading arrangements develop, Viet Nam should ensure consistency between international transfer rules, domestic credit use, registry functions, market supervision, and NDC accounting.

In the longer term, Viet Nam may consider a periodic review of implementation experience. Such a review could assess whether Annex I remains appropriate, whether transfer rates continue to reflect national priorities and market conditions, whether approval timelines are workable, and whether registry and reporting arrangements meet Article 6 transparency requirements.

Expected outcomes

Effective implementation of these recommendations would support Viet Nam in moving from regulatory establishment to practical operational readiness.

A clearer and more predictable framework would reduce uncertainty for project developers, investors, carbon standard bodies, and international partners. This would support early project development and strengthen Viet Nam's credibility as a host country for high-integrity carbon market cooperation.

The recommendations would also help safeguard Viet Nam's NDC implementation. By linking eligible activities, transfer rates, corresponding adjustments, and registry tracking to national mitigation priorities, Viet Nam can mobilise international carbon finance while retaining sufficient mitigation value for domestic climate objectives.

In addition, the recommended approach would strengthen institutional learning. Launch events, technical training, and the expert pool would help build the practical capacity required to assess projects, understand carbon methodologies, manage registry information, and engage with international partners.

Overall, Viet Nam is well-positioned to become an active and credible participant in international carbon markets. The next phase should focus on practical implementation, stakeholder readiness, technical capacity, and adaptive learning, ensuring that Article 6 cooperation supports Viet Nam's NDC, domestic carbon market development, technology transfer, long-term low-carbon growth.

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