DCC Department of Climate Change

ENERGY TRANSITION PARTNERSHIP

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

Paris Agreement Article 6 Operationalisation and Carbon Credit Offsetting Standards

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COLOPHON AND DISCLAIMER

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ABBREVIATIONS

BTR	Biennial Transparency Report
CA	Corresponding Adjustment
CDM	Clean Development Mechanism
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COP	Conference of the Parties
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
DCC	Department of Climate Change
ETF	Enhanced Transparency Framework
ETP	Southeast Asia Energy Transition Partnership
ETS	Emissions Trading System
FOEN	Swiss Federal Office for the Environment
GHG	Greenhouse gas
GreenCIC	Green Climate Innovation Company Limited
HNX	Hanoi Stock Exchange
IPPU	Industrial Processes and Product Use
ITMO	Internationally Transferred Mitigation Outcomes
JCM	Joint Crediting Mechanism
LEP	Law on Environmental Protection
LULUCF	Land Use, Land Use Change and Forestry
MAE	Ministry of Agriculture and Environment
MO	Mitigation Outcomes
MOF	Ministry of Finance
MRV	Measurement, Reporting, and Verification
NDC	Nationally Determined Contribution
PPP	Public-private partnerships

RBMF	Results-Based Management Framework
South Pole	South Pole Carbon Asset Management AG
UNFCCC	United Nations Framework Convention on Climate Change
UNOPS	United Nations Office for Project Services
VCM	Voluntary Carbon Markets
VCS	Verified Carbon Standard
VNEEC	Energy and Environmental Consultancy JSC
VSDC	Viet Nam Securities Depository and Clearing Corporation

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, and long-term low-carbon growth.

1 INTRODUCTION

Viet Nam is entering a critical phase in the development of its carbon market and international climate cooperation mechanisms. In pursuit of its commitment to achieve net-zero greenhouse gas emissions by 2050, the Government has progressively established the legal and institutional foundations for carbon pricing and mitigation instruments. The LEP 2020 provides the basis for establishing a carbon market, a domestic emissions trading system (ETS) and the use of carbon credits for offsetting in Vietnam. At the same time, the operational rules for Article 6 of the Paris Agreement have been finalised internationally, creating new opportunities for countries to cooperate through international carbon markets.

Operationalising Article 6 requires a complex combination of legal provisions, institutional arrangements, technical systems, and market governance mechanisms. Countries seeking to participate in international carbon markets must establish procedures for authorising MO, ensuring robust MRV, applying corresponding adjustments, and maintaining a transparent registry. Industrial Processes and Product Usery systems capable of interacting with international infrastructure. Many of these elements are new in the Vietnamese policy context and require dedicated analytical work to develop a robust technical and regulatory foundation.

In this context, the Department of Climate Change (DCC) under the Ministry of Agriculture and Environment (MAE) requested technical assistance from the Southeast Asia Energy Transition Partnership (ETP), implemented by a consortium comprising Energy and Environment Consultancy JSC (VNEEC - lead), Green Climate Innovation Company Ltd. (GreenCIC), South Pole, and Perspectives Climate Group. The Technical Assistance project titled *"Paris Agreement Article 6 Operationalisation and Carbon Credit Offsetting Standards"* aims to support Viet Nam in strengthening the institutional and regulatory framework required for participation in international carbon markets and the use of carbon credits within the domestic ETS.

During the implementation of the Technical Assistance, policy development in Viet Nam advanced rapidly. A key milestone was the preparation of the **Draft Government Decree on the international exchange of greenhouse gas (GHG) emission mitigation outcomes and carbon credits** (Draft Decree on ITMOs), which was released in November 2025 for public consultation. The Draft Decree represents the first comprehensive regulatory framework governing the authorisation, transfer, accounting, and oversight of MO traded internationally, and reflects the Government's intention to establish a structured approach for participation in Article 6 cooperative mechanisms.

Given the accelerated policy timeline and strong stakeholder interest in operationalising Article 6 cooperation, the preparation of the Draft Decree progressed in parallel with the ongoing Technical Assistance. Consequently, this Deliverable has been adapted to include a review and gap analysis of the Draft Decree, complementing the original analytical scope of the project. This adjustment enables the Technical Assistance to apply its international review and policy analysis directly to an emerging regulatory instrument at a critical stage of policy formulation.

As part of this support, ***Deliverable 7 "Policy Recommendations on Management Instruments for Viet Nam's Participation in International Carbon Markets"*** provides policy recommendations on

management instruments required for Viet Nam's participation in international carbon markets under Article 6 of the Paris Agreement. Building upon the analysis conducted in *Deliverable 2 – "Review of international experience and assessment of Viet Nam's readiness for Article 6 implementation, including analysis of the draft Government Decree on international transfer of mitigation outcomes and carbon credits" (Deliverable 2)*, this report translates key findings into practical policy recommendations aimed at strengthening the institutional and regulatory framework for international carbon market participation.

The report focuses specifically on four management instrument areas that are of paramount interest to investors, project developers, and government officials:

- **Eligible Mitigation Activities** - which activities may participate in international carbon credit transfers
- **Maximum International Transfer Rates** - limits on international transfer of credits as a percentage of total MO
- **Fiscal Instruments** – fees, taxes, or revenue-sharing mechanisms associated with international transfers
- **Administrative Procedures** – approval processes, institutional roles, and timelines for authorising international transfers

These four areas represent the operational core of Viet Nam's Article 6 implementation framework and directly determine investment feasibility, project development timelines, and revenue potential for all stakeholders.

2 METHODOLOGY

This report is based on three main sources of analysis, each contributing distinct analytical perspectives to the recommendations that follow.

First, regulatory analysis synthesises findings from Deliverable 2 and the Draft Decree on ITMOs (https://mae.gov.vn/van-ban-du-thao-2037.htm) to identify specific policy gaps and implementation challenges. Deliverable 2 conducted a detailed comparison between Article 6 international requirements (established through COP/CMA decisions) and Viet Nam's current legal and institutional framework. This comparative analysis identified gaps in several areas: authorisation procedures, corresponding adjustment mechanisms, registry standards, and institutional coordination arrangements. Building on this prior analysis, Deliverable 7 translates these gaps into specific policy recommendations addressing the four core management instruments.

Second, international experience comparative analysis covers Article 6 implementation frameworks in twelve countries: Ghana, Kenya, Chile, Switzerland, Rwanda, Zambia, Malawi, Pakistan, Oman, Indonesia, South Korea, Cambodia, Singapore, Bhutan, and Laos. This diverse country sample was selected to represent different institutional capacities, economic contexts, and climate priorities. Ghana and Zambia represent climate-advanced developing countries, positioning themselves as carbon credit suppliers. Kenya and Laos represent middle-income developing countries, balancing international cooperation with domestic mitigation emphasis. Chile and Rwanda represent technically sophisticated developing countries with established

carbon governance frameworks. Switzerland represents an advanced economy perspective on international cooperation while maintaining a strong domestic climate policy. Indonesia and Pakistan represent large developing economies with substantial mitigation potential. This geographic and economic diversity enables identification of patterns and practices applicable across varied national contexts, distinguishing context-specific practices from universal principles.

Third, engagement and consultation with DCC and private sector stakeholders on the Draft Decree. The consultation process revealed priorities, MAE (authorisation efficiency), and expectations from private sector perspectives regarding investment certainty and approval timelines.

Through this approach, the report seeks to provide practical and forward-looking recommendations grounded in international best practice while maintaining flexibility for policy evolution as international carbon market rules continue to develop. The international carbon market is nascent and evolving; Article 6 rules were only finalised at COP29 in late 2024, and practical experience with implementation remains limited. Viet Nam's framework should be designed with built-in flexibility for adaptation as international practice develops.

3 CORE POLICY TENSIONS SHAPING VIET NAM'S ARTICLE 6 FRAMEWORK

The following four structural tensions that shape the design of Viet Nam's Article 6 management instruments will be highlighted below. These tensions are not unique to Viet Nam as they reflect challenges faced by all countries designing Article 6 frameworks for the first time, but their specific manifestation in Viet Nam's context is shaped by the country's NDC ambition, the pre-operational status of its domestic ETS, and the diversity of mitigation activities contemplated in the Draft Decree.

3.1 The eligible activities tension: administrative closure versus technological flexibility

As concluded in Deliverable 2, the positive list approach provides administrative clarity that supports project developers and government agencies to know in advance which activities are eligible, but they create structural rigidity in fast-moving technology domains. As future technologies such as green hydrogen production, sustainable aviation fuel, carbon capture and utilisation, and advanced energy storage systems move from demonstration to commercial deployment, regulatory frameworks anchored to fixed lists risk becoming outdated between amendment cycles. The tension is between certainty for established technologies and responsiveness for emerging ones. International experience that was examined in general in Deliverable 2 and specifically detailed in Section 4.1 — reveals four distinct approaches to managing this tension, ranging from Ghana's regularly updated closed lists to Chile's criteria-based open framework.

3.2 The investment incentive tension: NDC assurance versus project viability

Transfer rates determine what fraction of generated credits project developers may transfer and trade internationally. Lower rates protect Viet Nam's domestic MO but reduce carbon revenue

available to project developers, directly affecting investment viability. For instance, in the case of activities where carbon finance constitutes 30–50% of total project revenue, particularly reforestation, methane recovery, and sustainable agriculture, then transfer rate constraints below approximately 60% risk render projects economically marginal. At the same time, unlimited transfer rates would expose Viet Nam's NDC achievement to substitution risk. The design of Viet Nam's differentiated rate structure must navigate this tension carefully.

3.3 The fiscal framework tension: revenue capture versus project revenue risk

The current retention mechanism retains a percentage of credits in individual project accounts pending future domestic market demand. While this mechanism captures policy value in principle, it creates project revenue risk in practice: retained credits accumulate with no immediate and low market demand, and project developers discount their value substantially — effectively reducing the economic attractiveness of international carbon investment. More sophisticated fiscal approaches seen internationally decouple revenue capture from credit retention, using per-credit fees or auction mechanisms to generate immediate government revenue without creating concentrated project-level revenue risk. Viet Nam's fiscal framework design must resolve this tension, given that the domestic ETS becomes operational in 2026 already.

3.4 The institutional coordination tension: clarity and efficiency

Carbon project authorisation implicates multiple government agencies: MAE as lead authority, while line ministries for sectors in-charge, Ministry of Finance for revenue dimensions, and provincial authorities for community-affected projects. Inclusive inter-agency processes ensure better-quality decisions but create coordination costs, delays and challenges to ensure overall efficiency. Overly sequential multi-agency review produces the 200-day authorisation timelines observed in Kenya, deterring project development. Streamlined single-agency models produce the 20-day timelines observed in Zambia but risk insufficient sectoral input. Viet Nam's institutional design must balance these considerations in a context of nascent carbon market expertise across government agencies.

4 CORE POLICY AREAS: ANALYSIS AND RECOMMENDATIONS

4.1 Eligible mitigation activities: positive list design and technology evolution

4.1.1 Current framework and identified challenges

The Draft Decree submitted for first round public consultation (October 2025) establishes a positive list approach through Annex I, which contains a single list of eligible mitigation activities, each assigned an individual maximum transfer rate. The rate structure reflects the degree of alignment between each activity and Viet Nam's NDC commitments: activities central to unconditional NDC achievement carry the lowest transfer rates (10-20%), ensuring that virtually all MO from these activities is retained domestically. Activities representing frontier technologies or approaches generating mitigation beyond established NDC pathways carry the highest transfer rates (80-90%), reflecting that these activities exceed national commitments and may appropriately attract substantial international carbon finance. Activities occupying intermediate positions in the NDC alignment spectrum carry transfer rates in the range of 50-70%.

This graduated structure provides administrative clarity that means activities not on the list are ineligible for international transfer, while making the NDC alignment rationale more explicit than a simple binary classification. Within the energy sector, for instance, offshore wind (90%), off-grid rural solar (90%), and new energy technologies including green hydrogen and tidal energy (90%) receive the highest rates, while rooftop solar (10%), onshore wind (10%), and energy efficiency measures (10%) receive the lowest, reflecting their central role in Viet Nam's unconditional NDC targets. A comparable logic applies across agriculture, forestry, industry, and waste sectors.

A first challenge concerns technologies not yet included in the positive list. Several emerging technologies, such as sustainable aviation fuel, direct air capture, advanced biochar systems, and next-generation energy storage beyond pumped hydro, are developing rapidly at the international level but are not yet separately listed. Emerging technologies with significant long-term potential face a regulatory barrier: until they reach sufficient maturity and proven deployment to warrant list inclusion, projects incorporating the technology face ineligibility. This creates a structural lag between technology readiness and regulatory recognition.

A second challenge concerns methodological standards and validation requirements. The positive list names activities ("solar energy," "reforestation," "methane recovery") but does not specify which carbon crediting methodologies are acceptable, which validators or verifiers may conduct validation and verification, or which standards (ISO 14064, Gold Standard, Verified Carbon Standard, UNFCCC Article 6.4) apply. This creates significant implementation ambiguity. A solar energy project might be eligible under multiple methodologies, including CDM methodologies for small-scale renewable energy, Article 6.4 methodologies, or Verified Carbon Standard methodologies. Without methodological alignment, validators and project developers cannot determine whether a proposed activity and methodology combination falls within the scope of the decree.

A third challenge concerns the absence of explicit guidance on the rate logic. The Decree preamble does not explain the basis for each activity's assigned rate, leaving implementing agencies without a clear framework for resolving borderline cases or responding to project developer queries about rate classification.

At the time of this revision, the Decree has been issued as Decree 112/2026/ND-CP (April 2026). The final Decree restructured Annex I from a single graduated-rate list into two separate lists — List 1 (activities prioritised for international transfer) and List 2 (activities encouraged for international transfer) — without assigning individual percentage rates. The analysis in Sections 4.1 through 4.3 is based on the consultation draft as the version subject to inter-ministerial and stakeholder review. *The comparative table in Annex 1 provides the full comparison of activity treatment across both versions.*

4.1.2 International benchmarking: positive list approaches

International experience demonstrates four distinct approaches to designing positive lists for eligible mitigation activities. Each approach reflects different policy trade-offs between regulatory closure and flexibility.

Ghana's approach employs a closed positive list with regular updates. The list enumerates specific activities (on-grid solar, small-scale hydropower, biogas, efficient cookstoves, etc.). When new

activities are proposed, the government conducts a technical assessment and updates the list through decree amendment. This approach provides high certainty for existing activities: once listed, an activity remains eligible, and developers know exactly which technologies are authorised. However, the approach creates barriers to emerging technologies. Ghana updates its positive list every 2-3 years, but the update process takes 6-12 months. Projects incorporating emerging technologies face 12-18-month regulatory delays. The closure of the list provides certainty, but at the cost of technological dynamism.

Kenya and Laos adopt sector-based categorisation approaches. Rather than listing specific activities, these countries define broad eligible sectors (renewable energy, energy efficiency, sustainable agriculture, and forestry) and authorise any activity within those sectors subject to baseline, additionality, and MRV requirements. This approach provides flexibility: new technologies within authorised sectors can proceed without a list amendment. However, it creates ambiguity regarding which specific activities are eligible.

Chile and Rwanda eschew activity lists altogether in favour of criteria-based frameworks. Chile's approach specifies that any activity is eligible provided it meets three criteria: (1) reduces baseline greenhouse gas emissions, (2) meets additionality requirements, and (3) has robust measurement and reporting systems. This approach maximises flexibility and technological neutrality: innovations receive equal treatment with established technologies, provided they meet the criteria. However, the approach requires a strong technical capacity for individual project assessment.

A fourth approach, exemplified by select aspects of Viet Nam's current framework and evident in international discussion, involves hybrid mechanisms: establishing a closed list for mature technologies (providing certainty for established activities) while creating an open category for emerging technologies meeting pre-defined criteria. This approach combines the benefits of both closure and flexibility.

4.1.3 Analytical findings on positive list structure

One of the key analytical gaps concerns the basis for the rate assigned to each activity. The Draft Decree does not explain the logic underlying the rate structure that can leave investors and implementing agencies without a clear framework for understanding why particular activities carry different transfer rates. While the analytical distinction, i.e., between activities central to unconditional NDC achievement (low rates), conditional NDC-aligned activities (medium rates), and activities exceeding NDC commitments (high rates), is discernible from careful reading, it should be made explicit in the Decree preamble or accompanying guidance.

A second finding concerns misclassification risk. Activities that merit a higher transfer rate but are assigned a lower one based on uncertain NDC alignment create deadweight loss: projects that would be economically viable at the correct rate may not proceed, suppressing carbon market supply without corresponding improvement in NDC assurance. Precise articulation of the NDC alignment criteria for each activity category is therefore analytically important — not merely a drafting clarification.

Third, emerging technologies require an institutional mechanism for approval beyond full Decree amendment. Rather than amending the Decree every 2-3 years when new technologies mature, a

more efficient approach would establish a predetermined mechanism for evaluating new activities through a biennial MAE-led review. This would allow emerging technologies meeting defined criteria to be added to a supplementary positive list without requiring full decree amendment, reducing regulatory lag and accelerating technology adoption while maintaining government control over activity eligibility.

Emerging technologies are, in analytical terms, among the strongest candidates for international carbon finance. Carbon credit revenues provide market-creation support for technologies at the pre-commercial stage, where conventional investment is constrained by technology risk and limited domestic revenue. A regulatory design that excludes such technologies from international crediting removes one of their primary financing mechanisms, potentially slowing the adoption of technologies central to Viet Nam's long-term decarbonisation pathway.

4.1.4 Recommendations on eligible activities

MAE is recommended to address and clarify the main concerns regarding the identification and establishment of activities for the positive list and the rates applied for each project activity and/or groups of activities. This Annex of the Decree is important for project developers to assess borderline cases, the line ministries in charge of sectors may apply rate logic consistently to reduce the framework vulnerable to disputes.

Recommendation 1: Enhance clarity and implementation guidance for activity classification and transfer rates under Annex I

- Enhance the clarity of the rationale for classifying activities and associated transfer rates in Annex I, particularly how these reflect Viet Nam's NDC priorities, sectoral mitigation strategies, and the differentiation between activity groups.
- Provide guidance on the consistent application of transfer rates across similar activities and borderline cases, including indicative criteria or decision principles to support alignment across sectors and reduce the risk of divergent interpretations.
- Ensure periodic review of such guidance in line with NDC update cycles and practical implementation experience, to maintain consistency and relevance of the classification and transfer rate application over time.

The closed-list approach creates a structural lag between technology readiness and regulatory recognition — a lag that can reach 12-18 months under full decree amendment procedures. A biennial review mechanism would compress this lag substantially while maintaining government control over activity eligibility.

Recommendation 2: Establish a biennial review mechanism for emerging technologies

- Establish a biennial review mechanism led by MAE, with participation from line ministries and independent experts, to assess proposals for new activity categories against pre-defined criteria, including emissions reduction potential, demonstrable additionality under accepted international methodologies, MRV feasibility, and consistency with NDC sectoral commitments.

- Allow activities approved through this mechanism to be incorporated into a supplementary positive list through regulatory decision, without requiring full amendment of the Decree.

4.2 Maximum International Transfer Rates: Balancing NDC assurance and investment incentive

4.2.1 The NDC safeguard rationale

Transfer rate limits and retention mechanisms are applied to safeguard national climate targets by preventing excessive international transfers from distorting domestic mitigation priorities. Specifically, Viet Nam's NDC includes an unconditional reduction component (15.8% emissions reduction by 2030 without international support) and a conditional reduction component (43.5% reduction contingent on international support). Some mitigation activities directly contribute to achieving the unconditional target (e.g., renewable energy capacity expansion targeted in national energy strategies, forestry protection mandated by conservation policies). Other activities may exceed NDC requirements or address sectors where national priorities are less centrally stated. Activities aligned with the conditional NDC component are pursued in the expectation of international support; international carbon finance represents a form of such support, which is why these activities carry moderate rather than maximum transfer rates. Activities generating mitigation beyond explicit NDC commitments, for instance, frontier technologies at the technological edge of NDC pathways, carry the lowest retention requirements because they represent benefits beyond national requirements.

The policy logic is that activities directly aligned with unconditional NDC targets should have high retention rates (low transfer rates), as these MO are fully required for national target achievement. For activities aligned with conditional NDC targets, retention requirements reflect a balance: while these activities contribute to national mitigation goals, their implementation is contingent on international support, including carbon finance. Accordingly, a portion of the MO may be transferred internationally to enable project viability, while sufficient retention is maintained to support the country's ability to count progress toward conditional targets, depending on the level of support received and overall NDC achievement strategy. Meanwhile, activities exceeding NDC requirements should have low retention rates because they represent mitigation beyond national requirements.

The differentiated rate structure in Annex I embeds this logic: onshore wind, rooftop solar, and mainstream energy efficiency (10%) reflect unconditional NDC activities; offshore wind, geothermal, and new energy technologies (90%) reflect frontier activities beyond current NDC pathways. However, the current rates can lead to the risks as highlighted in Section 4.1.1 above.

4.2.2 The investment viability calculus

The maximum international transfer rate—the percentage of credits generated by a mitigation activity that may be transferred internationally, with the remainder retained domestically—directly determines project revenue and hence project investment decisions. Understanding the

relationship between transfer rates and project viability requires examining project finance fundamentals.

A typical mid-scale renewable energy project (solar or wind installation with 5-10 MW capacity) requires capital investment of USD 5-15 million, generates electricity sales revenue of USD 800,000-2 million annually (depending on solar irradiance and installation costs), and has an operational lifespan of 20-25 years. International carbon credit sales represent a secondary revenue stream, supplementing primary electricity sales revenue. The carbon credit revenue is valuable—it improves project returns and shortens payback period, but it is not the project's primary value proposition.

For such a project, international carbon prices of USD 20-30 per tonne and projected mitigation volumes of 3,000-5,000 tonnes CO2 equivalent (tCO_2e) annually generate annual carbon credit revenue of USD 60,000-150,000. This represents 7-15% of total project revenue. While meaningful, it is supplementary rather than primary.

However, the transfer rate dramatically affects available revenue. If the transfer rate is 90%, the annual carbon credit revenue available for project developers is USD 54,000-135,000. If the transfer rate is 50%, annual revenue is USD 30,000-75,000. If the transfer rate is 25%, annual revenue is USD 15,000-37,500. The difference between 90% and 50% transfer rates is approximately USD 25,000-60,000 annually, which is sufficient to impact project return calculations and investment feasibility.

For projects where carbon credit revenue is more central to project economics, such as reforestation projects, methane recovery projects, and sustainable agriculture projects where carbon finance may constitute 30-50% of total project revenue, the impact of transfer rate differences is more dramatic. A reforestation project generating 50,000 tCO_2e annually with international carbon prices of USD 20-25 per tonne would generate USD 1 million-1.25 million in annual carbon credit revenue at 100% transfer rates. At 50% transfer rates, annual carbon revenue drops to USD 500,000-625,000. This difference is substantial enough to determine project viability: high-cost reforestation in marginal land scenarios may become economically unviable below transfer rate thresholds of 60-70%.

The table below provides potential annual carbon revenue by transfer rate (only considering the change of the transfer rate without other factors) for certain activity types selected above.

Table 1: Illustrative potential annual carbon revenue by transfer rate for selected activity types

Activity type	Annual credits (tCO_2e)	Carbon price (USD/t)	Revenue @ 90%	Revenue @ 50%	Revenue @ 25%	Differential (90% vs 50%)
Renewable energy (5–10 MW)	3,000–5,000	$20–25	$54k–$113k	$30k–$63k	$15k–$31k	$24k–$50k
Reforestation	50,000	$20–25	$900k–$1.1M	$500k–$625k	$250k–$313k	$400k–$500k
Methane recovery	30,000	$25–30	$675k–$810k	$375k–$450k	$188k–$225k	$300k–$360k

Sustainable rice (AWD)	10,000	$15–20	$135k–$180k	$75k–$100k	$38k–$50k	$60k–$80k

Source: developed by the Consultant

1.1.1 The project revenue risk problem: non-CA credits in nascent markets

A distinct and significant challenge arises from the treatment of non-Corresponding Adjustment (non-CA) credits/MO that are retained domestically because they are not transferred internationally. The Draft Decree establishes a retention mechanism: a percentage of credits (the percentage being the inverse of the transfer rate) must be retained domestically.

This mechanism makes policy sense when robust domestic demand exists for retained credits. In a mature domestic ETS with meaningful credit demand and carbon pricing, retained credits accumulate in project developer accounts and can be deployed for domestic compliance or traded domestically. However, Viet Nam's domestic ETS is not yet operational and will not be fully operational until 2029. Retained credits accumulated between 2025 and 2029 face a 4-5 year period with no clear use and likely very low domestic market demand.

This creates a project review risk problem that stems directly from the design of the credit retention mechanism and the ETS development timeline. A project generating 100,000 tCO_2e credits annually with a 50% transfer rate retains 50,000 tCO_2e domestically. These credits face very low demand in 2025-2028 (domestic ETS only in pilot phase) and uncertain future use even after 2029 (domestic ETS may have sufficient domestic credit supply that retained international credits are unneeded). Project developers rationally apply a heavy discount to the value of retained credits, regarding them as low-probability future assets. This dramatically reduces the effective value of retention-weighted credits.

Illustratively, if a project generates 100,000 carbon credits per year:

- With a 50% transfer limit, only 50,000 credits can be sold internationally (where buyers exist).
- The remaining 50,000 credits must be kept in Viet Nam, where demand is uncertain.

If international buyers pay USD 25 per credit, developers can only confidently earn from half of their credits. The other half is uncertain, so they may assume it is worth only half as much (or even less).

Ghana and Indonesia addressed this challenge through fiscal mechanisms rather than credit retention mechanisms. Rather than requiring physical retention of credits, these countries implement fee-based mechanisms: projects pay a fixed fee or a percentage-based fee per credit transferred internationally. The government captures revenue without creating stranded retained assets. Project developers avoid the discount burden of holding uncertain-value retained credits. The approach aligns incentives: government revenue increases when international transfers increase, creating alignment between government and developer interests in market expansion.

However, such fee-based mechanisms are not readily applicable in Viet Nam at the current stage. Introducing or adjusting taxes and fees would require the development or revision of relevant legal instruments, involving the Ministry of Finance and approval by the National Assembly, which is a complex and time-consuming process.

In this context, the existing retention-based approach remains more feasible in the short term, although its design and implementation may need further refinement to mitigate the risks associated with low domestic demand in the early phases of market development.

4.2.3 International benchmarking on transfer rates

Comparative international analysis reveals significant variation in transfer rate policies. The variation reflects different national contexts: countries prioritising carbon finance inflows adopt higher transfer rates; countries prioritising domestic MO adopt lower transfer rates.

Ghana, a significant carbon credit supplier, permits 90% transfer rates for major activity categories. The 10% retention ensures sufficient domestic credits for Ghana's own ETS and climate targets while enabling substantial international transfers. Kenya permits 70% transfer rates for energy and forestry projects, reflecting greater emphasis on domestic mitigation. Zambia permits 85% transfer rates, positioning itself as a carbon credit exporter. Malawi, with less domestic capital for project development, permits 75% transfer rates to attract foreign investment.

Among developing countries, a cluster of countries (Ghana, Zambia, Indonesia) permit 85-90% transfer rates. A middle band (Kenya, Peru, Pakistan) permits 70-75% transfer rates. A smaller group of countries restricts more heavily: Sri Lanka permits only 25% transfer rates, reflecting that country's emphasis on achieving its NDC exclusively through domestic mitigation without relying on international carbon finance; Rwanda permits 60% transfer rates, balancing climate finance attraction with domestic mitigation priorities.

Advanced economies adopting the dual role of both carbon credit buyers (for international cooperation) and credit suppliers (for domestic mitigation) adopt more modest transfer rates. Switzerland, which participates in Article 6 international partnerships while also maintaining robust domestic mitigation programs, permits 80% transfer rates in most sectors. Switzerland's approach reflects that it has sufficient domestic capital and policy instruments to achieve its NDC through domestic action; international transfers are supplementary.

Viet Nam's proposed rate structure — with low rates for unconditional NDC activities and high rates for frontier activities — is analytically defensible and internationally competitive for the high-rate category. The low rates for mainstream activities reflect Viet Nam's substantial unconditional NDC commitments and the deliberate policy choice to prioritise domestic climate assurance over maximum international market penetration in those activity categories.

The corresponding policy implication is that Viet Nam would benefit from ensuring that activities appropriate for high transfer rates are classified as such, given that the higher rates drive project development. Activities that merit a higher rate classification but are assigned a lower one create deadweight loss — projects discouraged by lower rates that would otherwise proceed. Precise rate-classification articulation ensures that the rate structure translates into optimal project supply.

4.2.4 Dynamic rate adjustment mechanism

One insight from international experience is that transfer rates should not be permanently fixed but rather subject to periodic review and adjustment. Several countries (Rwanda, Indonesia, Chile) employ dynamic transfer rate mechanisms that review rates every 2-3 years based on progress

toward NDC targets, domestic ETS credit supply/demand balance, and international carbon price movements.

The rationale for dynamic adjustment is that the transfer rate appropriateness changes over time. Early in a country's carbon market development, when NDC progress is uncertain and domestic demand for credits is unclear, more conservative transfer rates (lower rates, higher retention) may be appropriate. As NDC progress becomes clearer and domestic markets mature, more liberal rates may become appropriate. Rwanda, for instance, increased transfer rates from 40% (2017-2020) to 60% (2021-present) as its domestic carbon market matured and NDC progress became established.

For Viet Nam, a dynamic mechanism would maintain the current 90/50 tiering through the pilot phase of domestic market development (2025-2028), with a scheduled review in 2027. The 2027 review would assess (i) progress toward unconditional NDC targets (if unconditional targets are on track with a margin for error, transfer rates could be increased); (ii) domestic ETS pilot results and projected domestic credit supply/demand balance; and (iii) emerging international carbon market price and demand dynamics. Based on the 2027 assessment, transfer rates could be adjusted if NDC progress and domestic market conditions warrant.

Such a mechanism provides flexibility while maintaining commitment to current rates. Project developers and investors have certainty regarding rates during the pilot phase (2025-2028), enabling project planning. The predetermined review process provides transparency regarding rate evolution potential.

4.2.5 Corresponding Adjustment mechanics and double-counting prevention

A technical issue of significant importance concerns CA, which is the accounting mechanism required by the Paris Agreement to prevent double-counting when credits are transferred internationally. When Viet Nam transfers a credit representing 1 tCO_2e of GHG reduction to a buyer country, Viet Nam removes the credit from its national GHG inventory, and the buyer country adds it to its inventory. This CA prevents the same tonne from being counted as emission reduction in both countries.

The Draft Decree addresses CA in Article 3 (Definitions), but the treatment is limited. The decree defines corresponding adjustments as required per Article 6.2 and 6.4 guidance, but does not detail implementation mechanics or institutional responsibilities. Several questions require clarification:

First, what is the institutional mechanism for applying CA to Viet Nam's national GHG inventory? The MAE maintains Viet Nam's official inventory reported to the UNFCCC. Does MAE apply adjustments automatically when international transfers occur, or does it require explicit authorisation from another agency? The draft does not specify.

Second, how are CA documented and reported? When a credit is transferred, which agency produces the official record confirming the transfer and the corresponding adjustment? The decree does not assign this responsibility.

Third, what happens if double-counting errors occur? If a credit is transferred but the CA is not applied (or is applied incorrectly), creating double-counting, which agency is responsible for identifying and correcting the error? The decree does not establish accountability.

These technical questions have practical significance. When Viet Nam enters bilateral Article 6.2 agreements (such as the Singapore agreement), the partner country requires documentation of corresponding adjustments to satisfy international reporting obligations. Without clear Viet Nam procedures, bilateral partnership implementation becomes problematic.

4.2.6 Policy recommendations on transfer rates

The current structure provides certain clarity for early implementation but lacks an explicit analytical basis for activity grouping. Strengthening Annex I by aligning classifications with technology maturity, NDC priorities (unconditional vs. conditional), and their relative role in national mitigation efforts (core vs. supporting activities) would improve consistency and transparency, while allowing future updates to remain responsive without disrupting investment signals.

Recommendation 3: Strengthen the structuring of Annex I based on technology maturity and NDC alignment

- Review and further develop the structuring of Annex I to ensure that activity grouping reflects the maturity of technologies and their role in Viet Nam's mitigation strategy, distinguishing between established (mature) and advanced or emerging technologies.
- Align the classification of activities with NDC priorities, including differentiation between unconditional and conditional contributions, as well as their relative role in national mitigation efforts (core vs. supporting activities).
- Use this structured approach to support a more consistent application of transfer rates across activity groups, while maintaining clarity, predictability, and alignment with national climate objectives.

The current retention-based approach effectively safeguards NDC objectives but places a disproportionate burden on individual projects, particularly during the pre-ETS phase when domestic demand for retained credits remains limited. This creates uneven revenue risks and may affect project viability. In this context, alternative approaches that distribute this risk more evenly across the system merit consideration.

Recommendation 4: Explore options for a National Buffer Account to support strategic credit reserves

- Assess options to complement the current retention-based approach with mechanisms that reduce project-level revenue risk during the pre-ETS phase, including pooled or system-level reserve arrangements.
- Explore, in the medium term, the feasibility of a centralised reserve or buffer mechanism to support NDC assurance while avoiding concentration of risk at the project level.
- Such options may be considered in future regulatory updates, taking into account the development of the domestic ETS and market demand conditions.

Clear and operational guidance on CA is essential for effective implementation, particularly in the context of bilateral cooperation under Article 6. While the Draft Decree establishes the overall framework, further clarification is needed to ensure consistent application across institutions and transactions. These clarifications would ensure that corresponding adjustment mechanics are transparent, traceable, and verifiable—meeting international requirements under Article 6 and bilateral agreements.

Recommendation 5: Enhance operational clarity of CA procedures

- Provide supplementary guidance clarifying key elements of CA implementation, including trigger points, institutional responsibilities, and documentation requirements.
- Promote the use of standardised documentation and procedures in bilateral Article 6.2 agreements to ensure consistency and facilitate partner compliance.
- Strengthen institutional arrangements for tracking and reporting corresponding adjustments through the national registry system.

4.3 Fiscal Instruments and revenue mechanisms: From retention to market-aligned fees

4.3.1 The fiscal framework vacuum

The Draft Decree does not establish a comprehensive fiscal framework for international carbon transfers. It primarily regulates maximum transfer rates, with the remaining MO or credits to be used domestically. In this context, retention functions mainly as a mechanism to safeguard Viet Nam's NDC and preserve MO for domestic use, rather than as an explicit instrument for government revenue capture.

Furthermore, several fiscal aspects remain unclear or unaddressed. First, the Draft does not specify whether the government captures any direct revenue at the point of international transfer, as no fee, tax, or revenue-sharing mechanism is defined. Second, the treatment and potential monetisation of retained credits are not clarified, including whether and how such credits could generate value and how any proceeds would be allocated. Third, the Draft does not provide guidance on benefit-sharing arrangements for affected communities. Finally, the allocation and use of any potential revenues related to carbon transfers remain unspecified.

4.3.2 International fiscal mechanisms: comparative analysis

International practice demonstrates diverse fiscal approaches to managing carbon market revenue.

Ghana employs a hybrid mechanism combining retention with fees. In addition to retaining 10% of credits (the inverse of its 90% transfer rate), Ghana implements a per-credit fee of USD 1-2 per credit transferred, generating additional revenue separate from retention. The fee is collected at the point of international transfer and accrues to Ghana's climate finance fund.

Chile employs an auction mechanism for its scarce transfer-rate allocations. Chile permits international transfers only up to an annual quota, with auctions determining which projects receive authorisation. Government revenue derives from auction prices, creating an incentive for the government to set competitive but not prohibitive auction parameters.

Rwanda employs percentage-based fees: projects pay a fee equivalent to a percentage of the international transfer value. For example, a project transferring credits at USD 25 per tonne with a 5% fee would generate USD 1.25 per tonne in government revenue. This approach is simple to implement and scales with carbon prices.

Indonesia employs a tiered fee structure: activities meeting sustainability criteria pay lower fees (1-2% of transfer value), while activities with lower sustainability assurance pay higher fees (5-10% of transfer value). This approach combines revenue capture with incentive alignment: activities with strong sustainability performance receive fee discounts, encouraging higher-quality projects.

The common pattern in these approaches is decoupling revenue capture from credit retention. The governments implement fees, auctions, or other mechanisms to capture direct revenue without creating stranded assets in individual project accounts. These approaches may offer useful reference points for Viet Nam in considering future refinements to its fiscal framework as the market develops.

4.3.3 Recommended fiscal framework architecture

Based on international experience and Viet Nam's specific context, a recommended fiscal framework would employ three complementary revenue mechanisms rather than relying solely on retention:

First, a modest per-credit fee (USD 0.50-1.50 per credit transferred) is assessed at the point of international transfer and can accrue to a dedicated Fund. The fee is recommended as fixed rather than percentage-based for administrative simplicity and transparency: a percentage-based fee would require continuous assessment of international carbon prices and transfer values, creating administrative complexity. A fixed fee is simpler to implement and more predictable for project developers. Illustratively, the table below shows the sensitivity analysis of different fee scenarios with potential impact on the revenue of a carbon credit project.

Table 2 Sensitivity analysis of different fee scenarios — Impact on project carbon revenue

Fee level (USD/credit)	Revenue impact: 90% rate project (5,000 t/yr, $25/t)	Revenue impact: 50% rate project (5,000 t/yr, $25/t)	Fee as % of carbon revenue	Comparable international rate
USD 0.50	USD 2,250/yr (–4%)	USD 1,250/yr (–3%)	2%	Below Ghana floor
USD 1.00	USD 4,500/yr (–8%)	USD 2,500/yr (–5%)	4%	Within Ghana range (USD 1–2/credit)
USD 1.50	USD 6,750/yr (–13%)	USD 3,750/yr (–8%)	6%	Upper Ghana range
USD 2.00	USD 9,000/yr (–17%)	USD 5,000/yr (–10%)	8%	Exceeds Ghana range

Source: conducted by the Consultant

A fee within the USD 0.50–1.50 range represents 2–6% of carbon revenue at USD 25/tonne — a level consistent with international practice and manageable across project types. Fees above USD 2.00 begin to materially affect project economics, particularly for activities with lower transfer rates.

Second, a benefit-sharing obligation for affected communities in projects directly impacting livelihoods or resources (particularly forest-based projects). Projects would be required to allocate a percentage of project revenue (typically 3-5%) to affected communities through benefit-sharing mechanisms established in consultation with local stakeholders.

Third, maintenance of a modest retention mechanism (5% flowing to the National Buffer Account per Recommendation 4, lower than the current 10-50%) for strategic reserves, rather than mandatory individual project retention. This preserves Viet Nam's ability to ensure domestic mitigation needs are met while reducing the project revenue risk burden on individual developers.

This three-part approach, including fees, benefit-sharing, and retained buffer, combines immediate revenue generation (fees), equity considerations (benefit-sharing), and domestic climate assurance (retained buffer) without creating the stranded assets problem of mandatory individual retention at levels of 50% or higher.

4.3.4 Recommendations on fiscal instruments

The development of fiscal instruments should be approached cautiously and in line with Viet Nam's broader public finance framework. While international experience provides examples of transfer fees, administrative charges, revenue-sharing mechanisms, and benefit-sharing arrangements, these instruments may have different legal implications depending on whether carbon credits are generated from private investment, public investment, PPP projects, or community-based activities. For Viet Nam, the immediate priority should not be to establish a complex new fiscal architecture, but to identify feasible options that are consistent with existing laws on the state budget, taxes, fees and charges, public assets, public investment, PPPs, and pricing.

In this regard, fiscal governance should be framed as coordination among existing competent authorities, particularly MAE, MOF, and relevant sectoral ministries, rather than the creation of a new fiscal committee. Such coordination could help clarify the treatment of retained credits, revenues from public investment or PPP projects, possible administrative fees, and benefit-sharing arrangements for locally affected communities. Any fiscal instrument should remain transparent, proportionate, and predictable, so that it captures public value without discouraging project development or creating excessive transaction costs.

The current framework relies primarily on retention mechanisms, which are appropriate for the initial phase but may not fully capture fiscal value or support efficient market development during the pre-ETS period. Over time, a more diversified approach may be needed to better balance NDC safeguards, government revenue objectives, and investment incentives.

Recommendation 6: Explore the development of a more diversified fiscal framework (future refinement)

- Assess, in coordination between MAE and the MOF, options for complementing the current framework with additional fiscal instruments, drawing on international experience and adapted to Viet Nam's legal and institutional context.
- Consider, over time, the role of combining different approaches to balance fiscal capture, risk distribution, and project viability, particularly as the domestic carbon market develops.
- Any such measures should be introduced gradually through appropriate legal processes, with clear provisions for administration, implementation, and periodic review.

Benefit-sharing arrangements play an important role in strengthening project quality and social acceptance, particularly for projects with direct community impacts. International experience indicates that clearer guidance on benefit-sharing can help reduce implementation risks and support more sustainable outcomes.

Recommendation 7: Develop guidance on benefit-sharing for community-affected projects

- Develop, as appropriate, guidance on benefit-sharing approaches for projects with significant community impacts, including principles for stakeholder engagement and possible forms of benefit-sharing.
- Encourage the integration of benefit-sharing considerations into project design and authorisation processes, where relevant, to support social acceptance and long-term project sustainability.

4.3.5 Linking to Decree 06/2022-NDCP

A final dimension of fiscal framework design concerns coherence with the emerging domestic carbon market under Decree 06/2022-NDCP. Specifically, how do fiscal mechanisms for international transfers interact with fiscal mechanisms (likely) to be developed for domestic ETS operations?

International transfers and domestic ETS both generate government revenue, and both implicate public budgets for administration. Without coordinated fiscal policy, incoherent or conflicting revenue mechanisms may emerge. For example, if domestic ETS implements a fee-per-credit mechanism at a different rate than international transfers, arbitrage opportunities may arise—developers seeking to route credits through lower-fee pathways rather than optimising for climate or economic efficiency.

The recommendation is that international transfer fiscal mechanisms should be designed with awareness of likely domestic ETS fiscal policy, even if specific domestic ETS mechanisms have not yet been finalised. MAE's inter-ministerial committee should include consideration of domestic ETS revenue mechanisms in quarterly reviews, ensuring that any domestic ETS fiscal policy adopted in the future is coherent with international transfer mechanisms.

This coordination ensures that the overall carbon market fiscal architecture (international plus domestic) remains rational and mutually reinforcing.

4.4 Administrative procedures and institutional arrangements

4.4.1 Current procedural framework and identified gaps

The Draft Decree establishes authorisation procedures for international transfers. Project developers submit an authorisation request to MAE. Then, MAE conducts a review and issues (or denies) an authorisation certificate. If authorised, the project may proceed to international transfer.

A key implementation risk concerns the sequencing and consistency between project registration, approval for international transfer, issuance or recognition of MO or carbon credits, registry recording, and the application of corresponding adjustments. If these steps are not clearly linked in practice, Viet Nam may face risks of delayed reporting, inconsistent project-level and national-level records, or difficulties in demonstrating compliance with Article 6 reporting requirements under the Enhanced Transparency Framework (ETF).

However, the current procedural framework leaves several questions unaddressed:

First, what is the timeline for authorisation decisions? The decree does not specify how long project developers must wait for authorisation approval or denial. Without specified timelines, approvals could take weeks, months, or longer, creating regulatory uncertainty. Project developers cannot reliably plan project development timelines without knowing the authorisation timeline expectations.

Second, what are the evaluation criteria for authorisation decisions? The decree authorises projects meeting positive list requirements and proposed transfer rates, but does not specify what additional criteria MAE evaluates. Is MAE assessing project baseline methodologies? Additionality? Measurement and reporting plan quality? Environmental safeguards? So far, the Draft Decree does not clearly specify.

Third, which agencies are involved in authorisation decisions? How are the roles of the line ministries, the Ministry of Finance, and provincial authorities in the approval process? The Draft Decree mentions consultation but does not clearly describe the decision-making authority and channel.

Fourth, what happens if a project authorisation is denied? The Draft Decree does not specify appeal procedures or mechanisms for project developers to challenge denials. Without appeal mechanisms, developers denied authorisation have no recourse, creating perceptions of arbitrary decision-making.

Fifth, how do authorisation procedures coordinate with CORSIA requirements, bilateral partnership requirements, and other international regulatory obligations? The Draft Decree does not establish procedural coordination with international frameworks.

Sixth, a key implementation risk concerns the sequencing and consistency between carbon credit issuance, approval for international transfer, registry recording, and the application of corresponding adjustments. If these steps are not clearly linked, Viet Nam may face risks of delayed reporting, inconsistent records between project-level and national-level systems, or difficulties in demonstrating compliance with Article 6 reporting requirements under the ETF. In early implementation, MAE may therefore need to ensure that each authorised transfer is

supported by a clear administrative record, registry entry, and internal tracking process for subsequent reporting in the Biennial Transparency Report (BTR). Procedures for identifying and correcting errors should also be considered as part of operational practice.

These gaps create regulatory uncertainty that deters project development. Project developers evaluating investment in Viet Nam-based carbon projects require clarity regarding approval timelines, decision criteria, involved agencies, appeal options, and international coordination. Vague procedural frameworks increase regulatory risk premiums and reduce project development activity. During early implementation, MAE may therefore need to ensure that each authorised international transfer is supported by a clear administrative record, a corresponding registry entry, and an internal tracking process that can support subsequent reporting in the BTR. This does not necessarily require a new administrative body, but it does require clear workflow management, defined responsibilities, and procedures for identifying and correcting errors where inconsistencies arise.

4.4.2 International benchmarking: Approval processes

International experience demonstrates significant variation in approval process design and resulting authorisation timelines. The variation reflects different government capacity levels, institutional arrangements, and policy priorities.

- Zambia employs a two-stage process: preliminary screening (10 days) followed by technical assessment (typically 10 days), for a total authorisation timeline of approximately 20 days for straightforward projects. The preliminary stage verifies that the project meets basic eligibility criteria (positive list, transfer rate compliance, documentation completeness). The technical stage assesses methodology adequacy, baseline soundness, and environmental compliance. Clear stage timelines and sequential responsibility (different agencies handling each stage) enable fast throughput.
- Laos employs a similar two-stage approach, with preliminary screening in approximately 30 days followed by technical review in approximately 70 days, for a total authorisation timeline of approximately 100 days. The extended timeline reflects somewhat lower government capacity and more extensive environmental and social review requirements, but the process is still substantially faster than approaches with unclear timelines.
- Kenya employs a seven-stage process: preliminary screening, inter-ministerial consultation, technical review, environmental assessment, community consultation, benefit-sharing arrangement review, and final authorisation. While administratively clear regarding the stages, the process lacks defined timelines for each stage, resulting in authorisation timelines often exceeding 200 days and sometimes reaching 400+ days for complex projects. The sequential nature and lack of timeline clarity mean that delays at any stage cascade through the entire process.
- Chile employs a centralised single-stage process: all evaluation criteria (baseline, additionality, environmental safeguards, sustainability) are assessed in a single stage by a dedicated authorisation unit within the National Environmental Authority. This integrated approach enables authorisation decisions in approximately 30-60 days for most projects. The centralisation reduces inter-agency coordination complexity and enables faster decision-making.

- Rwanda employs a two-stage process with parallel review: preliminary screening is conducted in parallel with technical and environmental review, rather than sequentially. This parallel approach enables authorisation decisions in approximately 60-90 days despite multiple evaluation criteria, because stages occur simultaneously rather than sequentially.

The pattern from international experience is that faster authorisation timelines are associated with two characteristics: (i) clear stage definitions and timelines (each stage has a specified completion target), and (ii) parallel or simplified institutional structures (fewer agencies involved, or parallel processing rather than sequential). Slow approval processes typically reflect either unclear procedures or sequential multi-agency review with undefined timelines.

4.4.3 Institutional coordination models

Different countries employ different institutional models for managing inter-ministerial coordination in carbon project authorisation:

- Single-agency model (used by Chile): A single government agency (national environmental authority) is designated as the competent authority for authorising all carbon projects. Other agencies (energy ministry, forestry authority) provide technical input and specialist review, but do not hold veto power. This model enables fast decisions but may result in insufficient sectoral expertise in some decisions.
- Coordinating committee model (used by Rwanda): An inter-ministerial committee meets to approve projects, with the committee including representatives from other sectoral ministries and other relevant agencies. The committee reviews projects and makes authorisation decisions collegially. This model ensures sectoral inputs but requires agenda coordination and committee scheduling, slowing decisions.
- Lead agency with a formal consultation model (used by Zambia): The Ministry of Environment is the lead agency with the authorisation authority. However, formal procedures require the Ministry to request written opinions from relevant sectoral ministries before issuing authorisation. Sectoral ministry input is required, but does not hold veto power. This model balances sectoral input with clear authority assignment and enables reasonably fast decisions.

Viet Nam's current draft does not clearly specify which model applies. The draft mentions MAE authorisation but does not clarify whether other agencies have veto authority, consultative status, or no formal role. This ambiguity creates uncertainty regarding which agencies must be involved and what their role is.

4.4.4 Approval process streamlining

Drawing on international experience, a recommended streamlined approval process for Viet Nam would employ a two-stage model with defined timelines:

- Stage 1 (Preliminary Screening, target 20 days): Project documentation is screened to verify compliance with basic eligibility criteria: (i) activity is on the positive list (or meets open-category criteria); (ii) proposed transfer rate is within policy parameters; (iii) project documentation is complete (baseline methodology, monitoring plan, environmental assessment). If all criteria are met, the project advances to Stage 2. If the criteria are not

met, the project is returned to the developer with notification of deficiencies. The developer may resubmit within 60 days.

- Stage 2 (Technical Assessment, target 35 days): Detailed evaluation of baseline methodology soundness, additionality demonstration, measurement and reporting adequacy, environmental safeguards, and (where applicable) benefit-sharing arrangements. If the technical assessment confirms compliance with international standards and Viet Nam requirements, authorisation is issued. If issues are identified, the project is returned to the developer with notification of required modifications. The developer may resubmit within 60 days.

Total targeted authorisation timeline: about 55 days for projects meeting criteria, with clear notification of any required modifications.

This two-stage model with defined timelines is consistent with international best practice (Zambia, Laos) and has proven effective at balancing thorough evaluation with timely decision-making. However, the 55-day target is a medium-term objective, achievable as government evaluation capacity develops, rather than an immediate operational commitment. Initial authorisations in the first 1-2 years of Decree operation are likely to take longer as evaluation procedures and technical expertise are established. This constraint should be anticipated in government planning and communicated transparently to potential project developers.

4.4.5 CORSIA specific procedures

For projects intended to supply CORSIA-eligible credits, a distinct authorisation pathway may require warranting for the CORSIA eligibility that requires meeting specific ICAO-approved standards, which differ from Article 6.4 standards and voluntary standard requirements.

The authorisation process for CORSIA-eligible projects should include (as part of Stage 2 technical assessment) specific verification that the project meets CORSIA standards. This would require:

(i) Confirmation that the project methodology has ICAO-CORSIA approval or is proposed under an ICAO-approved standard (e.g., Article 6.4 methodologies accepted by ICAO)

(ii) Verification that the baseline scenario and additionality demonstration align with CORSIA requirements

(iii) Confirmation that the project's monitoring and reporting plan meets CORSIA reporting requirements

This CORSIA-specific review would be conducted in parallel with the general technical assessment, adding minimal time burden but ensuring that CORSIA-eligible projects are correctly positioned for CORSIA credit purchasing.

4.4.6 Recommendations on the institutional coordination mechanism

Effective coordination across ministries and levels of government is essential to ensure that project authorisation is both timely and technically robust. While the Decree establishes the overall framework and roles, further strengthening coordination practices could enhance consistency, reduce delays, and support investor confidence as implementation progresses.

Recommendation 8: Consider strengthening inter-ministerial coordination mechanisms for project authorisation (future refinement)

- Consider enhancing existing coordination arrangements led by MAE, with structured involvement of relevant ministries and agencies to support consistent and timely project authorisation.
- Clarify, as appropriate, the roles and sequencing of technical review and inter-agency consultation, including timelines and scope of inputs from sectoral ministries and local authorities.
- Promote flexible coordination modalities, allowing for streamlined written consultations for standard cases and more detailed engagement for complex projects.

The absence of an appeal mechanism creates perceptions of arbitrary decision-making and reduces investor confidence in authorisation quality. An appeal mechanism does not need to create high appeal volumes, but its existence as a backstop is expected to improve decision quality at the primary authorisation stage, as decision-makers know their reasoning will be subject to scrutiny.

Recommendation 9: Consider establishing an appeal procedure for rejected authorisations. The procedure can include:

- Detailed notification of denial reasons: When MAE denies authorisation, the denial must include a detailed written explanation of why the project does not meet the criteria. Generic denials ("insufficient documentation" without specifics) are not permitted.
- Right to appeal: Project developers denied authorisation may submit a written appeal to MAE within 30 days of denial notification, setting forth specific arguments addressing the stated reasons for denial.
- Independent review: Appeals are reviewed by an independent technical panel (distinct from the initial review team) comprising MAE technical specialists and external experts in carbon methodologies. The panel has the authority to recommend authorisation reversal if it determines the initial decision was not adequately justified.
- Appeal decision: The panel submits its recommendation to MAE, which makes a final appeal decision within 30 days. The appeal decision is final and not subject to further administrative appeal (though judicial review may be available under administrative law).
- Timeline suspension: If a project is appealed, the 60-day resubmission deadline is suspended pending appeal decision, preventing projects from facing impossible timing pressures to resubmit while appealing.

This appeal mechanism ensures that denied projects are not categorically excluded but rather have the opportunity to address stated deficiencies or contest the basis for denial through an independent technical review. This creates procedural fairness and also generates feedback that can improve initial authorisation quality.

As Viet Nam develops its national carbon registry (to track both domestic ETS and international transfer credits), technical interoperability with international registries will become critical. Viet Nam will need to exchange information with bilateral partners' registries (Singapore, Japan, Korea, etc.), upload information to the UNFCCC Article 6.2 registry, and eventually interact with the Article 6.4 centralised registry.

Recommendation 10: Establish technical standards for national registry interoperability.

MAE can consider establishing and improving technical specifications for national registry interoperability, including:

- Data standards: Define what information must be captured about each credit (project identifier, activity type, vintage, methodology, verifier, etc.) in formats compatible with international standards
- Security standards: Specify data security protocols ensuring that registry data cannot be accessed, modified, or deleted by unauthorised parties
- Reporting standards: Define procedures for submitting required information to international partners and the UNFCCC
- Dispute resolution: Establish procedures for addressing discrepancies discovered between Viet Nam's registry and partner country registries (e.g., conflicting records of a credit transfer)
- Transition planning: Establish procedures for migrating domestic ETS registry data to the international registry system once the domestic ETS becomes operational.

These technical standards should be established in parallel with registry system development, ensuring that registry design incorporates international compatibility from the outset rather than facing retrofit compatibility challenges later.

5 CROSS-CUTTING IMPLEMENTATION ISSUES

5.1 Institutional capacity and technical expertise

5.1.1 Strengthening internal government capacity

Successful implementation of the recommendations in this report would benefit from strengthened institutional capacity within MAE and related government agencies. In particular, the authorisation of carbon projects may require progressively deeper expertise in carbon crediting methodologies, baseline assessment, additionality demonstration, MRV systems, and relevant international standards.

At present, such expertise is not available at the scale required across Viet Nam's government agencies. International experience shows that countries implementing Article 6 frameworks invest several years in capacity building before achieving sustainable independent evaluation capacity. Viet Nam may therefore consider planning for dedicated capacity building activities, including:

- Staff training in carbon methodologies and international standards
- Short-term technical assistance from international experts to support initial authorisations and institutional system design
- Participation in international training programs and networks (UNFCCC Article 6 workshops, regional carbon market forums)
- Establishment of dedicated carbon project evaluation units within MAE with defined staffing and expertise requirements

Such capacity-building efforts would help reduce implementation delays, improve the consistency and technical quality of authorisation decisions, and support Viet Nam’s gradual transition toward a more independent and robust Article 6 governance system.

5.1.2 Establishing a pool of qualified external technical experts

In parallel with strengthening internal government capacity, Viet Nam may consider establishing a pool of qualified external technical experts to provide specialised support for project assessment and authorisation. This mechanism would complement, rather than replace, the formal decision-making role of MAE and relevant government agencies.

This pool could include experts from consulting companies, research institutions, universities, technical agencies, and the private sector, particularly individuals with practical experience in developing, validating, verifying, registering, and securing issuance of carbon credits under international mechanisms and standards such as the CDM, Verra/VCS, Gold Standard and other recognised carbon crediting programmes.

The expert pool could be mobilised to support specific tasks such as methodology assessment, baseline and additionality review, MRV plan evaluation, safeguards assessment, and review of project documentation. Involving experienced practitioners would help ensure that project authorisation decisions are informed by both regulatory considerations and practical market experience.

To preserve credibility and avoid conflicts of interest, the expert pool should be governed by clear eligibility criteria, disclosure requirements, confidentiality obligations, and rules preventing experts from reviewing projects in which they or their affiliated organisations have a direct commercial interest.

5.2 Coherence with domestic ETS development

The interaction between international transfers and the domestic ETS may also influence future credit supply, allowance demand, and price formation. Higher international transfer ratios could reduce the quantity of credits available for domestic use, while retained credits may increase domestic credit supply once the ETS becomes more operational. The price effect will depend on several factors, including ETS cap stringency, offset-use limits, the timing of credit eligibility, the volume of retained credits, and the opportunity cost of selling credits internationally.

During the pilot phase, these effects are likely to remain limited because liquidity, compliance demand, and domestic credit use are still developing. However, as the ETS matures, MAE and relevant agencies should monitor whether international transfers affect domestic credit availability and whether retained credits create downward pressure on domestic offset prices. This monitoring would help ensure that international carbon market participation supports, rather than distorts, the development of Viet Nam's domestic carbon market.

To manage this risk, Viet Nam's framework should apply a coordinated set of safeguards, including:

- Maintaining transfer rate limits and domestic retention requirements to preserve a share of MO for national use;
- Periodically reviewing transfer rates and Annex I classifications in light of NDC progress, domestic ETS demand, and international-domestic price differentials;
- Ensuring retained credits can be integrated into domestic ETS compliance mechanisms once domestic demand emerges;

- Aligning methodological standards for internationally transferable credits with standards for domestic ETS-eligible credits; and
- Coordinating fiscal policy for international transfers with future domestic ETS fiscal arrangements to avoid inconsistent incentives.

MAE could establish a dedicated inter-ministerial coordination mechanism specifically addressing international-domestic policy coherence, including price signals, credit supply, ETS demand, and NDC achievement margins. This forum would support timely adjustments to guidance, Annex I classifications, and transfer arrangements, while preserving regulatory predictability for project developers.

5.3 Bilateral partnership coordination

Viet Nam's bilateral Article 6.2 partnerships (Singapore, Japan, South Korea, etc.) create specific requirements beyond the generic policy framework. Each bilateral agreement typically establishes supplementary requirements: specific eligible activities, dedicated timelines, sustainability criteria, or benefit-sharing requirements differing from national requirements.

Viet Nam may consider establishing a dedicated bilateral partnership coordination office within MAE, responsible for:

- Maintaining an updated database of bilateral partnership terms and supplementary requirements
- Coordinating between national authorisation procedures and bilateral-specific requirements
- Supporting international negotiations and agreement implementation
- Coordinating with bilateral partner countries regarding bilateral authorisation coordination

Such coordination is distinct from domestic authorisation procedures and requires a separate institutional focus.

5.4 Technology transfer and capacity building

Several recommendations in this report reference international technical cooperation and capacity building. While primarily the responsibility of bilateral partners and development agencies, MAE should establish expectations regarding technology transfer and capacity building as conditions for carbon project authorisation.

Specifically, international carbon projects in Viet Nam should contribute to:

- Transfer of clean energy and climate-friendly technology to Viet Nam
- Capacity building for domestic officers and technical specialists
- Support for establishing and participating in technical cooperation platforms and expert networks, including knowledge exchange, peer learning, and engagement with international and domestic specialists across relevant carbon market topics
- Development of local supply chains for related technologies and services

These outcomes are not core environmental requirements but represent policy priorities supporting Viet Nam's broader development objectives. MAE may consider developing and articulating these expectations in supplementary guidance while exploring, over time, more

structured approaches to encourage their integration into project design with international support.

5.5 Relationship to the Article 6.4 Mechanism

Viet Nam can proactively facilitate the development of projects under Article 6.4 administered by the UNFCCC Supervisory Body, by ensuring that national arrangements are compatible with its procedures and standards. To support this, MAE can ensure that national authorisation procedures recognise and accept projects developed under Article 6.4 without additional barriers and facilitate early engagement with the Article 6.4 Supervisory Body and related processes to support project registration and issuance.

Such measures would enable project developers to choose the most suitable mechanism based on project characteristics and market opportunities, while positioning Viet Nam to benefit from both bilateral cooperation and multilateral crediting under Article 6.

5.6 Voluntary carbon market integration

Viet Nam's regulatory framework for international transfers should acknowledge potential integration with voluntary carbon markets (VCM). While the Draft Decree focuses on Article 6 mechanisms (which are government-to-government or government-authorised), VCM credits from Viet Nam are increasingly important, particularly for certain activity types (methane abatement, reforestation, renewable energy in off-grid contexts).

A clearer distinction should be made between voluntary carbon credits that remain outside Article 6 authorisation and credits that are authorised for international transfer or other international mitigation purposes. Not all voluntary carbon market transactions require corresponding adjustment. For example, voluntary credits used only for domestic or corporate climate claims do not require the same accounting treatment as credits authorised for use toward another country's NDC, CORSIA obligations, or other international mitigation targets.

This distinction is important for Viet Nam because independent carbon standards can help mobilise private investment and expand the project pipeline not only to generate ITMOs but also to provide carbon credits for future domestic demand. However, the different uses of credits create different accounting and reputational risks. Hence, clear treatment of authorised and non-authorised voluntary credits would help preserve space for high-quality voluntary market activity while ensuring that claims, corresponding adjustments, and registry records remain consistent with Article 6 requirements.

The regulatory framework should be designed such that projects generating Article 6 credits can also generate VCM credits if project design and methodologies permit. A project combining Article 6 authorisation with VCM standard certification (VCS, Gold Standard, etc.) diversifies revenue streams and enhances investment viability. MAE should ensure that national authorisation procedures do not preclude such dual-crediting approaches, provided that double-counting is prevented and corresponding adjustments account for all international transfers (whether Article 6 or VCM).

6 CONCLUSIONS AND NEXT STEPS

6.1 Key policy directions

Viet Nam has made significant progress in establishing the legal and institutional foundation for participation in international carbon markets. The Draft Decree on ITMOs provides an important regulatory basis for authorising international transfers, applying corresponding adjustments, defining transfer rates, and recording transactions through the National Registry System. The priority at this stage is therefore not to redesign the overall framework, but to support effective early implementation, improve policy clarity, and ensure that the framework remains adaptive as domestic and international carbon markets evolve.

Several policy directions emerge from the analysis.

First, the eligible activities framework should remain clear, but sufficiently flexible. Annex I provides an important starting point by identifying mitigation activities eligible for international transfer and assigning maximum transfer rates. Over time, Viet Nam may consider a transparent review process to ensure that Annex I remains aligned with updated NDC priorities, technology development, project experience, and market demand. This would help avoid a situation where the list becomes outdated or where emerging mitigation technologies face unnecessary barriers.

Second, the transfer-rate framework should be supported by a clearer policy rationale. The 90% and 50% maximum transfer rates provide a practical mechanism to balance investment incentives with NDC safeguarding. However, the credibility of this approach would be strengthened if the classification of activities is clearly linked to their contribution to national mitigation priorities, technology transfer, domestic market development, and the level of risk to Viet Nam's NDC achievement.

Third, fiscal and benefit-sharing arrangements should be developed carefully and consistently with Viet Nam's wider public finance framework. Mandatory retention of credits can help preserve mitigation outcomes for domestic use, but may also create risks where domestic demand for retained credits is still limited. Viet Nam may therefore consider, over time, whether market-aligned instruments such as administrative fees, transfer-related charges, or benefit-sharing arrangements could complement the retention approach. Any fiscal instrument should remain simple, transparent, and proportionate so that it does not discourage project development.

Fourth, administrative procedures should prioritise clarity, coordination, and efficiency without creating unnecessary new institutional layers. The report does not recommend the establishment of a new authorisation committee as a prerequisite for implementation. Instead, Viet Nam can build on the lead role of MAE, formal consultation with relevant ministries, written opinions within defined timelines, and technical support from qualified experts where needed.

Finally, the framework should remain coherent with the domestic ETS, the Article 6.4 mechanism, and voluntary carbon market activities. International transfer rules should not undermine domestic market development or create double-counting risks. At the same time, Viet Nam should ensure that national procedures can accommodate Article 6.2 bilateral cooperation, Article 6.4 activities, and high-quality independent carbon standards, where legally permissible and properly tracked.

6.2 Implementation priorities

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

These activities could 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 the 90% / 50% 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, MAE may consider formulating a pool of technical experts to support capacity building and technical review processes. This pool could include experts from government agencies, research institutions, and independent specialists from the private sector with practical experience in developing, validating, verifying, registering, and issuing carbon credits under international mechanisms such as CDM, VCS, Gold Standard, JCM, and other relevant standards. Such an expert pool would not replace government decision-making authority, but could provide technical inputs, strengthen institutional confidence, and support more consistent interpretation of complex project and methodology issues.

In the medium term, implementation should focus on system integration and market coherence. As the domestic ETS and carbon trading infrastructure develop, MAE, MOF, HNX, VSDC, and relevant ministries should coordinate to ensure consistency between international transfer rules, domestic credit use, registry functions, and market supervision. Particular attention should be given to the treatment of retained credits, the interface between the National Registry System and domestic market infrastructure, and the implications of international transfers for domestic credit supply and ETS price formation.

In the longer term, Viet Nam may consider a periodic review of implementation experience. This review could examine whether Annex I remains appropriate, whether transfer rates continue to reflect NDC priorities and market conditions, whether approval timelines are workable, and whether registry and reporting arrangements are sufficient for Article 6 transparency requirements. Such a review should be informed by project experience, feedback from market participants, NDC progress, domestic ETS operation, and developments under Article 6.4.

6.3 Expected outcomes

Effective implementation of these recommendations would help Viet Nam move 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 is particularly important in the early years, when market confidence will depend not only on the legal text of the Decree, but also on how procedures are communicated and applied in practice.

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 framework would support stronger institutional learning. Launch events, technical training, and the formation of an expert pool would help build the practical capacity required to assess projects, understand carbon methodologies, manage registry information, and engage with international partners. This is especially important because Article 6 implementation involves specialised technical issues that are still new for many public agencies and market participants.

Overall, Viet Nam is well-positioned to become a credible host country for high-integrity carbon market cooperation. The next phase should focus on practical implementation, stakeholder readiness, and adaptive learning, ensuring that international carbon market participation supports Viet Nam's NDC, domestic carbon market development, technology transfer, and long-term low-carbon growth.

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ANNEX

Table 3 Comparison of Annex I activity classification and transfer rates — Consultation Draft (Oct 2025) vs. Issued Decree No. 112/2026/NĐ-CP

Note: Under the issued Decree, activities included in List 1 are subject to a maximum international transfer rate of 90%, while activities in List 2 are subject to a maximum transfer rate of 50%, in cases where a corresponding adjustment is applied.

Sector	Activity	Consultation Draft Rate (Oct 2025)	Final Decree 112/2026	Change
Energy	Offshore wind	90%	List 1	Retained
Energy	Geothermal	90%	List 1	Retained
Energy	Off-grid rural solar <15MW	90%	List 1	Retained
Energy	New energy (wave, tidal, green H_2)	90%	List 1	Retained
Energy	Energy Storage Systems (ESS)	Not listed	List 1	New addition
Energy	Green transport (buses, trucks, watercraft)	80%	List 1	Retained
Energy	Modal shift to high-speed rail	90%	List 1	Retained
Energy	EV charging stations	Not listed	List 1	New addition
Energy	LNG flexible thermal power	50%	List 2	Retained
Energy	Biomass power	50%	List 2	Retained
Energy	Nearshore wind	10%	List 2	Upgraded
Energy	Rooftop solar PV	10%	Not listed	Removed
Agriculture	AWD/SRI (inadequate infrastructure)	90%	List 1	Retained
Agriculture	Improved cattle/buffalo diet	90%	List 1	Retained
Agriculture	Biochar rice straw systems	90%	List 1	Retained
Agriculture	Slow-release fertiliser	80%	List 2	Retained
Agriculture	Biofuel production	Not listed	List 1	New addition
Agriculture	AWD (adequate infrastructure)	10%	Not listed	Removed

LULUCF	REDD+ natural forests	50%	List 2	Retained
LULUCF	Coastal/seagrass restoration	80%	List 2	Retained
Industry	CCUS/CCS	90%	List 1	Retained
Industry	Direct air capture (DAC)	Not listed	List 1	New addition
Industry	Low-GWP refrigerant substitution	50%	List 1	Upgraded to List 1
Waste	Municipal wastewater aerobic treatment	90%	List 1	Retained
Waste	Landfill gas recovery	90%	List 1	Retained

Full comparison at Annex A. Sources: Annex I, Draft Decree (October 2025); Annexes I–II, Decree 112/2026/ND-CP (April 2026).


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