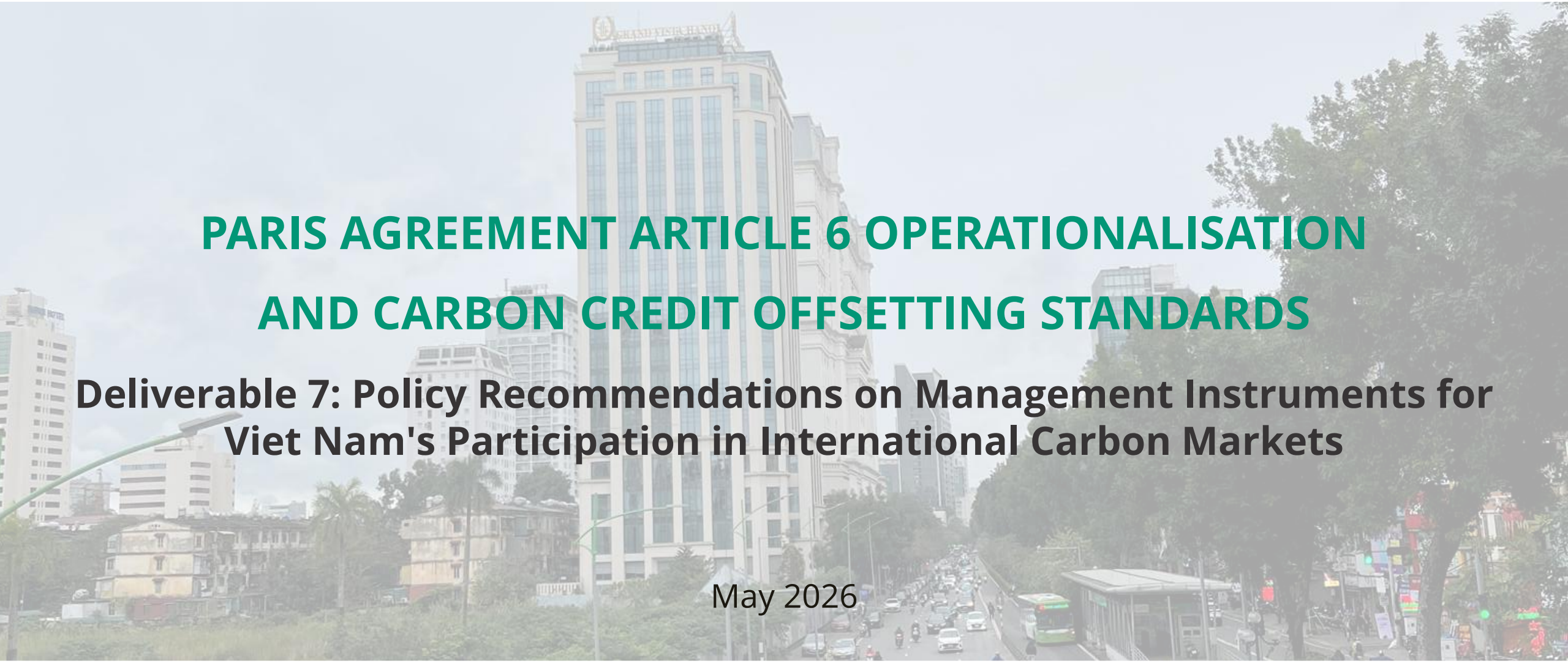

PARIS AGREEMENT ARTICLE 6 OPERATIONALISATION AND CARBON CREDIT OFFSETTING STANDARDS

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

May 2026

Content

1. Introduction

- ✓ **Objective:** Provide policy recommendations on management instruments required for Viet Nam's participation in international carbon markets under Article 6 of the Paris Agreement.
- ✓ **Regulatory basis:** Builds upon Deliverable 2 and reviews the Draft Government Decree on international transfer of mitigation outcomes (ITMOs) and carbon credits, released for public consultation in November 2025.
- ✓ **The report focuses on four key management instrument areas:**
  - **Eligible Mitigation Activities** – which activities may participate in international carbon credit transfers
  - **Maximum International Transfer Rates** – limits on the international transfer of credits as a percentage of total mitigation outcomes
  - **Fiscal Instruments** – fees, taxes, or revenue-sharing mechanisms associated with international transfers
  - **Administrative Procedures** – approval processes, institutional roles, and timelines for authorising international transfers

2. Methodology

01 Regulatory analysis

Synthesises findings from **Deliverable 2** and the **Draft Decree on ITMOs** to identify policy gaps and implementation challenges.

Key gaps identified:

- Authorisation procedures
- Corresponding adjustment mechanisms
- Registry standards
- Institutional coordination

02 International comparison

Comparative review of Article 6 frameworks across **12 countries**, representing diverse institutional capacities and climate priorities.

- **Suppliers:** Ghana, Zambia
- **Balanced:** Kenya, Laos
- **Advanced governance:** Chile, Rwanda, Switzerland
- **Large emerging:** Indonesia, Pakistan, S. Korea
- **Regional peers:** Cambodia, Singapore, Bhutan, Oman

03 Stakeholder consultation

Direct engagement with **DCC/MAE** and **private sector stakeholders** on the Draft Decree on ITMOs.

Key priorities surfaced:

- **Government (MAE/DCC):** Authorisation efficiency and institutional coordination
- **Private sector:** Investment certainty and transparent approval timelines

Framework built for flexibility as Article 6 rules (finalised COP29, 2024) continue to evolve.

3. Core policy tensions shaping Viet Nam's Article 6 framework

1

Eligible Activities: Administrative Closure vs. Technological Flexibility

Positive lists give clarity but risk becoming outdated as emerging technologies (green hydrogen, SAF, CCUS, energy storage) move to commercial scale. Countries manage this through: regularly updated closed lists (Ghana); criteria-based open frameworks (Chile); and two intermediate hybrid models.

- *Design should include a built-in revision mechanism, not full legislative cycles.*

2

Investment Incentive: NDC Assurance vs. Project Viability

Transfer rates below ~60% risk making carbon-dependent projects (reforestation, methane recovery, sustainable agriculture) economically marginal. Unlimited rates expose NDC achievement to substitution risk. A differentiated rate structure — by sector and technology readiness — calibrates this balance.

- *Viet Nam's rate structure must protect NDC integrity while keeping project economics viable.*

3

Fiscal Framework: Revenue Capture vs. Project Revenue Risk

Retaining credits in project accounts (pending domestic market demand) creates revenue risk: developers heavily discount retained credits. More sophisticated approaches decouple revenue capture from retention via per-credit fees or auctions — generating immediate government revenue without concentrated project-level risk.

- *Especially relevant as the domestic ETS is set to become operational in 2026.*

4

Institutional Coordination: Clarity vs. Efficiency

Authorisation involves MAE (lead), line ministries, MoF, and provincial authorities. Inclusive processes improve decision quality but create delays: sequential multi-agency review produces ~200-day timelines (Kenya); streamlined single-agency models achieve ~20 days (Zambia) but risk insufficient sectoral input.

- *Design must balance rigour with speed, in a context of nascent carbon expertise across agencies.*

4. Core policy areas: analysis and recommendation (1)

Eligible mitigation activities: Positive list design and technology evolution

Current framework

Decree 112/2026/ND-CP restructured Annex I into two separate lists: List 1 (high transfer rate) and List 2 (lower transfer rate), replacing the earlier single graduated-rate list.

Three key challenges identified:

- **Emerging tech gap:** SAF, direct air capture, biochar, and next-gen storage are not yet on the positive list, creating a structural lag of 12–18 months under full decree amendment procedures.
- **Methodology gap:** Activities are named ("solar energy", "reforestation") but accepted carbon standards and validation requirements are not specified.
- **Rate logic gap:** The Decree does not explain the basis for each activity's assigned rate, leaving implementing agencies without a principled framework for future additions.

Analytical findings

- **Opaque rate logic** leaves investors and implementers unable to predict treatment of new activities or challenge incorrect classifications.
- **Misclassification risk:** Activities assigned too-low a rate create deadweight loss — projects that would attract finance remain undeveloped.
- **Emerging tech opportunity:** These are the strongest candidates for international carbon finance, as carbon credit revenues provide market-creation support at the pre-commercial stage.

Four international approaches:

- **Ghana:** Closed list with regular updates
- **Kenya/Laos:** Sector-based categorisation
- **Chile/Rwanda:** Criteria-based open framework
- **Hybrid:** Closed list for mature tech + open track for emerging

4. Core policy areas: analysis and recommendation (2)

Recommendations

Short term

- **Clarify activity classification logic:** MAE should publish the analytical basis for each activity's rate assignment, the link between NDC contribution, technology maturity, and the assigned transfer rate. This makes the framework predictable and contestable.

Mid Term

- **Biennial review mechanism:** Establish a biennial review cycle for Annex I by a Technical Expert Panel. Decisions should be implementable via ministerial decree, not full legislative amendment, reducing the lag from 12–18 months to 3–6 months.
- **Open-category track for emerging tech:** Create an “open category” track allowing project proponents to apply for recognition of technologies not yet listed, subject to meeting defined criteria (additionality, baseline, MRV standard), modelled on Chile’s criteria-based approach.

4. Core policy areas: analysis and recommendation (3)

Maximum International Transfer Rates: Balancing NDC Assurance and Investment Incentive

NDC Safeguard Rationale

Transfer limits prevent excessive international transfers from distorting domestic mitigation priorities. The differentiated rate structure embeds this logic:

- **Low transfer (10%):** onshore wind, rooftop solar, mainstream energy efficiency — unconditional NDC activities
- **High transfer (90%):** offshore wind, geothermal, frontier activities — beyond NDC commitments

Retention risk: non-CA credits

Retained credits accumulate with no immediate domestic demand. A project generating 100,000 tCO2e/yr with 50% transfer limit can only confidently monetise half its credits — the rest is heavily discounted.

Investment Viability Calculus

For carbon-dependent projects (reforestation, methane recovery, sustainable agriculture) where carbon finance = 30–50% of revenue, transfer rates below ~60% risk rendering projects economically marginal.

Example — mid-scale solar/wind (5–10 MW): @USD 25/t and 4,000 tCO2e/yr:

- 90% rate → USD 90,000/yr available to developer
- 10% rate → USD 10,000/yr — insufficient to attract finance

International benchmarking on rates:

- **High-transfer cluster (85–90%):** Ghana, Zambia, Indonesia
- **Middle band (70–75%):** Kenya, Peru, Pakistan
- **Advanced economies:** Switzerland ≤50% (dual buyer/supplier role)

Viet Nam's 90/50 tiering is analytically defensible and internationally competitive for high-rate activities — the key is ensuring the right activities are in the right tier.

4. Core policy areas: analysis and recommendation (4)

Recommendations

Short term

- **Strengthen Annex I classification logic:** Publish the analytical basis aligning technology maturity, NDC contribution, and transfer rate. Enable investors and implementing agencies to predict the treatment of new activities and challenge incorrect classifications
- **Operationalise Corresponding Adjustment:** Clarify three unanswered questions: (1) which agency applies CA to the national GHG inventory; (2) how CA are documented and reported when credits are transferred; (3) what remediation applies if double-counting errors occur. Essential for bilateral agreements (e.g. Singapore).

Mid Term

- **Dynamic rate adjustment mechanism:** Maintain the current 90/50 tiering through 2025–2028 (pilot phase), with a scheduled review in 2027 assessing NDC progress, ETS demand, and rate adequacy. Several countries (Rwanda, Indonesia, Chile) employ dynamic mechanisms — rates adjust as market conditions change.

4. Core policy areas: analysis and recommendation (5)

Fiscal Instruments and Revenue Mechanisms: From Retention to Market-Aligned Fees

The Fiscal Framework Vacuum

The current Decree does not establish a comprehensive fiscal framework. It primarily regulates maximum transfer rates, with no direct government revenue captured at point of transfer — no fees, levies, or auction mechanisms.

The retention problem

- Retained credits accumulate in individual project accounts with no immediate domestic demand
- Project developers heavily discount retained credits, reducing effective project revenue by up to 50%
- Especially acute pre-ETS (before 2026 operational launch), where domestic demand is essentially zero

The core insight: revenue capture and credit retention are separable policy objectives that should be managed through distinct instruments.

International fiscal approaches

- **Ghana — hybrid:** 10% retention + USD 1–2/credit fee. Generates immediate government revenue while limiting project-level risk exposure.
- **Chile — auction mechanism:** Annual quota with competitive auction. Revenue from price discovery, not fixed fee.
- **Rwanda — % fee:** Fee as % of transfer value (e.g. 5% at USD 25/t = USD 1.25/credit). Simple and proportionate to credit price.
- **Indonesia — tiered fee:** 1–2% for high sustainability; 5–10% for lower sustainability. Incentivises quality alongside revenue capture.

Common pattern: all four countries decouple revenue capture from credit retention — government earns revenue without concentrating risk at project level.

4. Core policy areas: analysis and recommendation (6)

Recommendations

Per-credit transfer fee

USD 0.50–1.50 per credit transferred, assessed at point of international transfer. Fixed rate (not % of value) for predictability. Accrues to a dedicated Fund for carbon market development and administration. Represents 2–6% of revenue at USD 25/t — consistent with international practice.

Community benefit-sharing

For projects with direct community impacts (forest-based, land-use), a mandatory percentage of revenue allocated to affected communities. Strengthens social acceptance and project quality. Designed as a fixed allocation formula, not a government levy — reducing administrative overhead.

Modest national buffer retention

Reduce current retention (10–50%) to a streamlined 5% to a National Buffer Account — providing strategic domestic reserve without concentrating project-level revenue risk. Coordinate with Decree 06/2022 ETS fiscal policy to ensure the international and domestic carbon fiscal architectures are mutually reinforcing.

4. Core policy areas: analysis and recommendation (7)

Administrative Procedures and Institutional Arrangements

Current Framework Gaps

Project developers submit to MAE for authorisation, but five critical procedural gaps remain unaddressed:

- **No timeline:** Decree sets no maximum days for approval/denial
- **No evaluation criteria:** Beyond positive list compliance, decision basis is undefined
- **Unclear agency roles:** Line ministries, MoF, and provincial authorities' roles unspecified
- **No appeal mechanism:** Developers cannot challenge denied authorisations
- **No sequencing clarity:** Credit issuance, registry recording, and CA application are uncoordinated

These gaps create regulatory uncertainty that deters project development and investment.

International benchmarking: authorisation timelines

- **Zambia (~20 days):** Two-stage sequential (10+10 days). Fast, but limited sectoral input.
- **Laos (~100 days):** Two-stage (30+70 days). Thorough but slow for nascent pipeline.
- **Kenya (~200 days):** Seven-stage sequential. Comprehensive, but deters project development.
- **Chile (single-stage):** All criteria assessed simultaneously by dedicated unit. Fastest for complex projects.
- **Rwanda (parallel two-stage):** Screening and technical review run concurrently. Balances speed with rigour.

Key insight: faster timelines result from clear stage definitions + defined timelines per stage — not fewer stages.

4. Core policy areas: analysis and recommendation (8)

Recommendations

Recommended Two-Stage Authorization (~55 days)

- **Stage 1: Preliminary Screening (target: 20 days):** Positive list compliance check; Documentation completeness verification; Proposed transfer rate within approved limits
- **Stage 2: Technical Assessment (target: 35 days):** Baseline methodology and additionality; MRV adequacy and environmental safeguards; CORSIA compliance (where applicable) — in parallel

Establish an appeal mechanism: Internal administrative review within 30 days, then independent panel. Reduces investor uncertainty without high appeal volume in practice.

Specify decision timelines in the Decree: Stage-specific deadlines (not aspirational). Applicants can plan; MAE is accountable.

Build registry interoperability: National carbon registry must interface with international standards (UNFCCC Article 6.4, bilateral registries). Seek technical assistance from Switzerland and Singapore partnerships.

5. CROSS-CUTTING IMPLEMENTATION ISSUES (1)

Institutional Capacity and Technical Expertise

Strengthening internal government capacity

Authorisation of carbon projects requires specialised expertise in carbon accounting, MRV, baseline methodologies, and international standards. This expertise is not currently available at scale across Viet Nam's government agencies.

Recommended capacity-building actions:

- Staff training in carbon methodologies and international standards
- Short-term international technical assistance to support initial authorisations
- Participation in UNFCCC Article 6 workshops and regional carbon market forums
- Establish dedicated carbon project evaluation units within MAE with defined staffing requirements

Reduces implementation delays, improves consistency of authorisation decisions, and supports Viet Nam's transition to a more self-sufficient framework.

Establishing an external technical expert pool

In parallel with internal capacity building, a pool of qualified external experts provides specialised support for project assessment and verification — drawn from consulting firms, research institutions, universities, and the private sector.

Expert pool tasks:

- Methodology assessment and baseline review
- Additionality and MRV plan evaluation
- Safeguards assessment and project documentation review
- Bilateral partnership compliance verification

Governance requirements: clear eligibility criteria, disclosure obligations, confidentiality rules, and conflict-of-interest prohibitions to preserve credibility.

5. CROSS-CUTTING IMPLEMENTATION ISSUES (2)

Coherence with Domestic ETS Development

Why this matters

International transfers and the domestic ETS interact: higher transfer ratios could reduce the supply of credits available for domestic compliance, affecting allowance demand and price formation. With the domestic ETS set to become operational in 2026, this interaction will intensify.

During the pilot phase (2025–2028), effects are limited given low ETS liquidity. As the ETS matures, coordination becomes critical.

Institutional recommendation

MAE should establish a dedicated inter-ministerial coordination mechanism addressing international-domestic policy coherence: price signals, credit supply, ETS demand, and NDC accounting — not a new institution, but a structured forum among existing agencies.

Five coordinated safeguards

- **Rate limits & retention:** maintain transfer rate limits and domestic retention to preserve a share of MOs for national use
- **Periodic review:** revisit transfer rates and Annex I in light of NDC progress, ETS demand, and international-domestic price differentials
- **ETS integration:** ensure retained credits can be used for domestic ETS compliance once domestic demand emerges
- **Standards alignment:** align MRV standards for internationally transferable credits with domestic ETS-eligible credit standards
- **Fiscal coordination:** coordinate fiscal policy for international transfers with domestic ETS fiscal arrangements to avoid inconsistent incentives

5. CROSS-CUTTING IMPLEMENTATION ISSUES (3)

Bilateral Partnership Coordination

Context and challenge

Viet Nam's active bilateral Article 6.2 partnerships (Singapore, Japan, South Korea, and others) each establish supplementary procedural requirements beyond the generic national framework — specific eligibility criteria, reporting obligations, and verification processes.

Project developers operating across multiple bilateral agreements face layered compliance obligations. Coordination capacity that manages these in parallel — not sequentially — reduces delays and administrative burden.

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

Recommended: Dedicated bilateral coordination office within MAE

- **Partnership database:** maintain an updated database of bilateral terms, eligibility criteria, and supplementary requirements for each partner country
- **Dual compliance:** coordinate between national authorisation procedures and bilateral-specific requirements to avoid duplicate or conflicting processes
- **Negotiation support:** support international negotiations and agreement implementation, ensuring new partnerships are compatible with national framework
- **Partner coordination:** liaise directly with bilateral partner countries on authorisation timelines, reporting, and verification requirements

5. CROSS-CUTTING IMPLEMENTATION ISSUES (4)

Technology Transfer and Capacity Building

Policy positioning

While primary responsibility lies with bilateral partners and development agencies, MAE should articulate clear expectations for what international carbon projects should contribute to Viet Nam's development objectives — beyond environmental requirements.

These are policy priorities supporting Viet Nam's broader development objectives. They can be signalled through the authorisation criteria, bilateral agreement design, or standalone guidance to project developers.

Four expected contributions from international carbon projects

- **Technology transfer:** transfer of clean energy and climate-friendly technology, particularly for activities involving frontier technologies
- **Human capital:** capacity building for domestic government officers and technical specialists in carbon project development and verification
- **Technical networks:** participation in technical cooperation platforms, knowledge exchange, peer learning, and engagement with international specialists
- **Local supply chains:** development of domestic supply chains for related technologies and services, supporting long-term industrial capacity

5. CROSS-CUTTING IMPLEMENTATION ISSUES (5)

Relationship to the Article 6.4 Mechanism

What is the Article 6.4 Mechanism?

The Article 6.4 mechanism is administered centrally by the UNFCCC Supervisory Body — a multilateral system distinct from bilateral Article 6.2 agreements. It issues "A6.4ERs" (Emission Reductions under Article 6.4) that can be used for NDC targets or other international mitigation purposes.

Viet Nam's positioning

By ensuring national arrangements are compatible with Article 6.4 procedures, Viet Nam allows project developers to choose the most suitable mechanism (bilateral or multilateral) based on project characteristics and market access. This positions Viet Nam to benefit from both bilateral and multilateral carbon finance simultaneously.

National compatibility measures

- Confirm that eligible mitigation activities on Viet Nam's positive list are consistent with Article 6.4 methodology categories approved by the Supervisory Body
- Ensure that national MRV standards can accommodate both Article 6.2 (bilateral) and Article 6.4 (UNFCCC) reporting requirements
- Establish national registry interoperability with the Article 6.4 international registry to prevent double-counting across mechanisms
- Engage actively with UNFCCC Article 6.4 technical expert reviews to stay current with evolving methodology guidance and Supervisory Body decisions

Developer choice of mechanism increases project pipeline diversity and reduces dependence on any single bilateral channel.

5. CROSS-CUTTING IMPLEMENTATION ISSUES (6)

Voluntary Carbon Market Integration

The VCM–Article 6 boundary

The Draft Decree focuses on Article 6 mechanisms (internationally transferred mitigation outcomes, or ITMOs). The VCM operates separately — but the boundary needs to be clearly drawn to avoid regulatory overlap and to signal where each type of credit fits.

Why independent standards matter

VCM standards (Verra VCS, Gold Standard, etc.) can mobilise private investment and expand the project pipeline — not only for ITMOs but also for domestic offsetting, ESG compliance, and corporate net-zero commitments. Viet Nam benefits from enabling both markets in parallel.

Three regulatory design principles

- **Clarify the boundary:** distinguish between VCM credits remaining outside Article 6 authorisation and credits authorised for international transfer or other international mitigation purposes (OMGE)
- **Enable dual crediting:** design the framework so that projects generating Article 6 credits can also generate VCM credits if methodologies permit — maximising project revenue streams
- **Maintain integrity:** ensure VCM-tracked credits not authorised for Article 6 transfer cannot be used for NDC accounting, preventing double-counting at the international level

A project combining Article 6 authorisation with VCM co-benefits can access both compliance and voluntary buyers — broadening the commercial case for investment in Viet Nam.

6. Conclusion and Next step (1)

Key policy directions

Maintain a flexible eligible activities framework

- Regularly review Annex I to align with updated NDC priorities, new technologies, and market developments.

Strengthen the rationale for transfer rates

- Clearly link transfer-rate classifications to:
- national mitigation priorities,
- technology transfer,
- domestic market development,
- NDC safeguard considerations.

Develop balanced fiscal and benefit-sharing mechanisms

- Avoid overly restrictive credit retention requirements.
- Consider simple and transparent market-based instruments: administrative fees, transfer charges, benefit-sharing arrangements.

Prioritise efficient and practical administration

- Build on MAE's lead role and inter-ministerial coordination.
- Avoid creating unnecessary new institutional bodies.

Ensure coherence across carbon market mechanisms

- Align ITMO rules with: domestic ETS, Article 6.4 mechanism, voluntary carbon markets.
- Prevent double counting while enabling broader market participation.

6. Conclusion and Next step (2)

Implementation priorities

Short-term
Stakeholder readiness & capacity building

Focus on communication and training rather than new regulations.

Organise: launch events, technical briefings, stakeholder training sessions.

Build understanding of: project approval procedures, corresponding adjustments, National Registry System requirements, Annex I and transfer rates, differences between Article 6.2, 6.4, and voluntary standards, links with the domestic carbon market.

Establish a technical expert pool: government, research institutions, private-sector carbon market experts.

Medium-term
System integration & market coherence

Coordinate among MAE, MOF, HNX, VSDC, and related ministries.

Ensure consistency between: international transfer rules, domestic ETS, registry systems, market supervision.

Pay particular attention to: retained credits, registry-market infrastructure integration, impacts on domestic credit supply and ETS prices.

Long-term
Periodic policy review

Regularly assess: Annex I eligibility, transfer rates, approval timelines, registry and reporting systems.

Reviews should consider: project implementation experience, market feedback, NDC progress, ETS operation, Article 6.4 developments.

6. Conclusion and Next step (3)

Expected outcomes

Improved market confidence and investment certainty

- Clearer and more predictable procedures for:
- project developers,
- investors,
- carbon standard bodies,
- international partners.

Stronger support for Viet Nam's NDC implementation

- Align eligible activities, transfer rates, corresponding adjustments, and registry tracking with national mitigation priorities.
- Mobilise international carbon finance while safeguarding domestic mitigation value.

Enhanced institutional and technical capacity

- Build practical expertise through: launch events, technical training, expert pool development.
- Improve understanding of: carbon methodologies, registry management, Article 6 implementation.

Position Viet Nam as a credible carbon market partner

- high-integrity carbon market cooperation,
- domestic ETS development,
- technology transfer,
- long-term low-carbon growth.

THANK YOU!