

FIRST MILESTONE REPORT

(Final)

ASSESSMENT OF COUNTRY'S READINESS AND
INTERNATIONAL EXPERIENCE FOR CARBON TRADE EXCHANGE DESIGN

Hanoi, 30 October 2023

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COLOPHON AND DISCLAIMER

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Disclaimer

This **First Milestone Report** is prepared under the technical assistance project *Assessment of Country's Readiness and International Experience for Carbon Trade Exchange Design* and exclusively for the Southeast Asia Energy Transition Partnership (ETP) and the Legal Department of the Ministry of Finance, Viet Nam. The findings and opinions expressed in the report are those of the authors and do not necessarily reflect the views of any associated government or organization. Without prior written permission from ETP and the Legal Department of the Ministry of Finance of Viet Nam, no part of it may be reproduced, quoted, or distributed to any third party.

EXECUTIVE SUMMARY

The “**Assessment of Country’s Readiness and International Experience for Carbon Trade Exchange Design**” is one of the key activities within the framework of cooperation in energy transition and greenhouse gas (GHGs) reduction in Viet Nam of the Southeast Asia Energy Transition Partnership (ETP).

The goal of the Assignment is to give the Ministry of Finance (MOF) a thorough understanding of the country’s existing relevant legal framework, institutional arrangements, and infrastructure conditions, as well as the gaps that must be filled in order to establish and operate the Carbon Trade Exchange (CTX). The Assignment also aims to provide key takeaways from international experiences in CTX, particularly of countries with comparable conditions or with successful CTX. The expected duration of this Assignment is 5 months, starting from August to December 2023, and is divided into three phases with eight (08) tasks, detailed as follows:

Phase 1: Preparation

Task 1 – Inception Report and Project Workplan: This initial task involves mobilizing experts post-contract signing, conducting the first internal team meeting, and organizing a kick-off meeting with Clients to get consensus on the project's approach, methodology, and potential adjustments. Based on these discussions, the Consultant developed a Draft Inception Report and updated the Project Workplan to submit to the Clients before the Inception Workshop.

Task 2 – Inception Workshop: An Inception Workshop is conducted, aiming to enhance key stakeholders' comprehension of local intricacies, eliminate duplications, gather feedback on the implementation approach, and cultivate awareness of the domestic carbon market and CTX to promote active stakeholder participation. Drawing insights from this workshop's discussions, the Inception Report will be finalized and submitted to the Clients for approval. The report will serve as a pivotal roadmap for the implementation of the Assignment, ensuring effective stakeholder coordination, and communication, and guiding subsequent activities.

Phase 2: Implementation

Task 3 – Review of international experiences and assessment of the legal, institutional, and infrastructure requirements for the establishment and operation of the CTX: This task involves comprehensively assessing operational CTX globally to identify country case studies that are most relevant for Viet Nam, followed by an in-depth analysis of legal, institutional, and infrastructure prerequisites for CTX establishment and operation. This process aims to draw lessons and implications from international experiences, guiding the establishment and operation of CTX in Viet Nam.

Task 4 – Review of the national context and assessment of existing relevant regulations, institutions, and infrastructure for the establishment and operation of the CTX: This task encompasses a thorough evaluation of existing national legal and

regulatory documents, institutional arrangements, and infrastructure regarding CTX. It further involves comparing varied options, consulting stakeholders, and recommending the optimal approach for the establishment and operation of the CTX in Viet Nam.

Task 5 – Analysis of legal, institutional, and infrastructure gaps for establishment and operation of CTX in Viet Nam and recommended solutions based on international experience and the country’s context: This Task entails a comprehensive evaluation of legal, institutional, and infrastructure gaps for establishing and operating the CTX in Viet Nam. The outcomes of these analyses inform the creation of a well-defined implementation roadmap based on international experience and the country's specific context, ensuring a cohesive approach to CTX development while considering complexity, priority, and resource allocation.

Phase 3: Completion

Task 6 – Stakeholder Engagement and Consultation: Relevant stakeholders will be actively engaged and consulted throughout the Assignment's implementation. The objective is to gather stakeholder inputs on diverse aspects, foster synergy, ensure effective implementation, and prevent overlaps or potential conflicts.

Task 7 – Plan for a carbon market master class for government officials to learn and exchange governance knowledge and experience of CTX: Through capacity assessment and collaboration with key institutions, a tailored master class design will be developed to improve the capacities of the key government officials for the establishment and operation of CTX in Viet Nam.

Task 8 – Final report and final workshop: This final task involves developing the Draft Final Report based on previous activities and organizing the Final Workshop with key stakeholders to discuss findings, conclusions, and next steps for CTX development in Viet Nam. Stakeholders’ input from the workshop will contribute to finalizing the Final Report.

The Consortium is led by the Environment and Ecology Institute (EEI) and includes experts from Green Climate Innovation Company Limited (GreenCIC), Ecoeye Co., Ltd (Ecoeye), South Pole, as well as other international experts subcontracted by EEI.

ABBREVIATION

ADB	Asian Development Bank
CDM	Clean Development Mechanism
COP 21	21st Conference of the Parties to the United Nations Framework Convention on Climate Change
CTX	Carbon Trade Exchange
Ecoeye	Ecoeye Co., Ltd.
EEl	Environment and Ecology Institute
ET	Emissions Trading
ETP	Southeast Asia Energy Transition Partnership
ETS	Emissions Trading System
GHG	Greenhouse gas
GreenCIC	Green Climate Innovation Company Limited
JI	Joint Implementation
LEP	Law on Environmental Protection
MCA	Multi-Criteria Analysis
MOF	Ministry of Finance
MONRE	Ministry of Natural Resources and Environment
NDC	Nationally Determined Contribution
NZ	Net-Zero
PA	Paris Agreement
RBMf	Result-based Monitoring Framework
UNFCCC	United Nations Framework Convention on Climate Change

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I. INTRODUCTION

I.1. Background

To date, human activities are estimated to have caused the Earth to warm by around 1°C compared to pre-industrial levels¹. This global warming, driven by the accumulation of human-generated greenhouse gas (GHG) emissions since the pre-industrial era, will extend over centuries to millennia and will continue to bring about further long-term changes in the climate system, such as rising sea levels and other negative impacts, leading profoundly detrimental impacts on the global economy and human society.

The response to this critical challenge has materialized through international agreements and mechanisms aimed at mitigating the adverse impacts of global warming and GHGs. The United Nations Framework Convention on Climate Change (UNFCCC) was signed in 1992 at the United Nations Conference on Environment and Development, aiming to “prevent dangerous human interference in the climate system”². This Convention laid the groundwork for a multitude of subsequent international climate agreements.

Built upon the framework of UNFCCC, the Kyoto Protocol was adopted in 1997, establishing comprehensive global regulations to concretize UNFCCC goals. Concurrently, this Protocol mandates a reduction in emissions for Annex I nations and introduced key mechanisms, including the Clean Development Mechanism (CDM), Joint Implementation (JI), and Emissions Trading (ET)³, which are pivotal in nurturing the growth of global carbon markets.

In 2015, the Paris Agreement (PA) at the 21st Conference of the Parties (COP 21) was adopted, marking a shift from the sole responsibility of emissions reduction resting on developed countries. Under the PA framework, the goal is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C⁴. Crucially, this commitment binds not just Annex I but also non-Annex I nations to emission reduction responsibilities.

As a result, these international climate policies have progressively developed the framework for carbon markets, which is considered a key instrument for GHG mitigation. The basic principle of carbon trading is that one party to the contract pays the other to obtain permits for GHG emissions. The buyer can use purchased emission credits in lieu of mitigating GHG emissions, thereby achieving its emission reduction targets⁵.

Viet Nam has actively committed to international agreements and has demonstrated ambition in reducing emissions. In the latest updated Nationally Determined

¹ IPCC Special Report “Global warming of 1.5°C” summary for teachers (OCE). https://www.oce.global/sites/default/files/2019-04/ST1.5_final_040419.pdf

² UNFCCC. <https://unfccc.int/process-and-meetings/what-is-the-united-nations-framework-convention-on-climate-change>

³ UNFCCC. https://unfccc.int/kyoto_protocol

⁴ Daniel Bodansky. United Nations. <https://legal.un.org/avl/ha/pa/pa.html>

⁵ Liu, L., Chen, C., Zhao, Y., & Zhao, E. 2015. China’s carbon-emissions trading: Overview, challenges and future. *Renewable and Sustainable Energy Reviews*, 49, 254–266.

Contribution (NDC) in 2022, Viet Nam has committed to reduce total GHG emissions by 15.8% by 2030 compared to the normal development scenario with domestic resources and can reduce up to 43.5 % when there is international support through bilateral and multilateral cooperation and implementation of new mechanisms under the Paris Agreement⁶. Furthermore, at COP26, Viet Nam also made a strong commitment to achieving net-zero (NZ) emissions by 2050. These ambitious pledges have demonstrated Viet Nam's determination to align with global objectives in the quest for a sustainable and resilient future.

To realize these ambitions, Viet Nam has laid a robust legal framework. The 2020 Law on Environmental Protection (LEP 2020) introduced provisions for the organization and development of the domestic carbon market⁷. Under LEP 2020, Decree No. 06/2022/ND-CP, issued on January 7, 2022, by the Government on mitigation of GHG emissions and protection of ozone layer (Decree 06/2022/ND-CP) details the organization and development of the domestic carbon market. Accordingly, from now until the end of 2027, Viet Nam will establish regulations related to carbon credit management and trading activities, GHG emission allowances as well as operation of a carbon trade exchange (CTX) and is expected to establish and pilot CTX from 2025 and officially operate it in 2028 (see Figure 1). The Ministry of Finance (MOF) is assigned to coordinating the establishment and development of CTX and formulating a financial management mechanism for the operation of the carbon market in Viet Nam⁸.

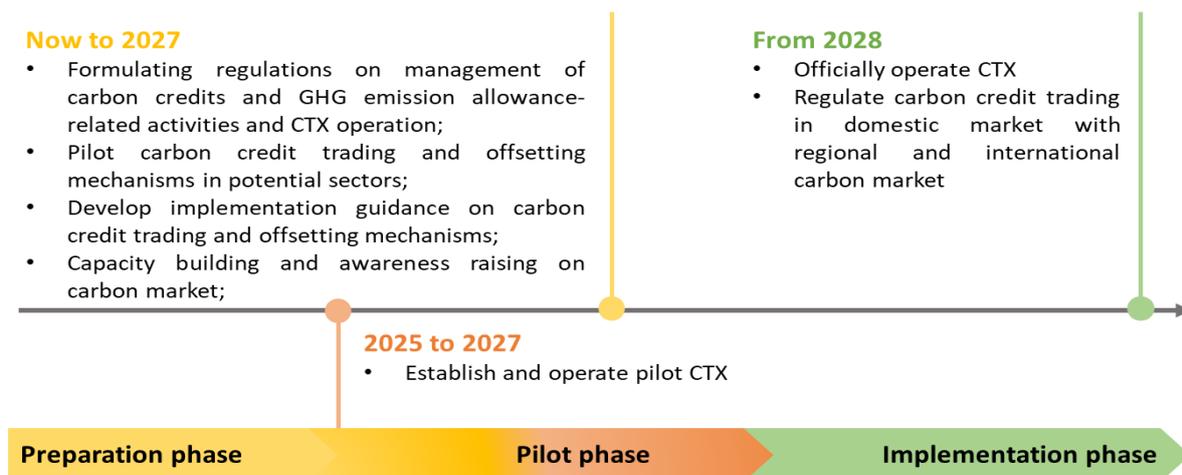


Figure 1: Roadmap for the development of the domestic carbon market with a focus on the CTX component (compiled by the Consultant based on Decree 06/2022/ND-CP)

⁶ Viet Nam NDC 2022. https://unfccc.int/sites/default/files/NDC/2022-11/Viet%20Nam_NDC_2022_Eng.pdf

⁷ Law 72/2020/QH14 on Environmental Protection in Viet Nam. <https://thuvienphapluat.vn/van-ban/EN/Tai-nguyen-Moi-truong/Law-72-2020-QH14-on-Environmental-Protection/463512/tieng-anh.aspx>

⁸ Decree No. 06/2022/ND-CP, issued on January 7, 2022, by the Government on mitigation of greenhouse gas emissions and protection of ozone layer details the organization and development of the domestic carbon market. <https://thuvienphapluat.vn/van-ban/EN/Tai-nguyen-Moi-truong/Decree-06-2022-ND-CP-mitigation-of-green-house-gas-emissions/503148/tieng-anh.aspx>

In light of these goals, a vital undertaking involves the consultation of international experiences and a comprehensive evaluation of existing national legal, infrastructure, and institutional conditions. These assessments are instrumental in identifying gaps essential for the development of the carbon market and CTX. This multi-pronged approach not only paves the way for the forthcoming CTX's establishment and operation but also propels Viet Nam transition to low carbon, green growth, and sustainable economy and closer to its NZ targets.

I.2. Objectives and Structure of the Report

The objective of this Report is to provide a detailed implementation plan for the project and updates on the progress of the inception phase, including the organization of the inception workshop. The Report includes two main sections: **TASK 1: INCEPTION REPORT AND PROJECT WORKPLAN** details the content of the project implementation plan and presents the updated workplan, **TASK 2: INCEPTION WORKSHOP** describes the organization of the inception workshop.

II. TASK 1: INCEPTION REPORT AND PROJECT WORKPLAN

II.1. Scope of services

This Assignment is part of the Southeast Asia Energy Transition Partnership's (ETP) interventions, which are implemented in close coordination and cooperation with relevant ministries, including MOF, the Ministry of Natural Resources and Environment (MONRE), international development agencies, exchange and financing institutions, potential market makers and players and other key stakeholders. The ultimate goal of these interventions is to support the development of the legal framework and financial mechanism for the establishment and operation of the pilot CTX in Viet Nam from 2025 and to prepare for the CTX's official operation in 2028.

There are eight (08) Tasks under this Assignment, divided into three phases as follows: i) preparation; ii) implementation; and iii) completion:

Phase 1: Preparation

- Task 1: Inception Report and Project Work Plan
- Task 2: Inception Workshop

Phase 2: Implementation

- Task 3: Review of International Experiences and Assessment of Legal, Institutional, and Infrastructure Requirements for the Establishment and Operation of the CTX
- Task 4: Review of the National Context and Assessment of Existing Relevant Regulations, Institutions, and Infrastructure for the Establishment and Operation of the CTX
- Task 5: Analysis of Legal, Institutional, and Infrastructure Gaps for the Establishment and Operation of CTX in Viet Nam and Recommended Solutions based on International Experience and the Country's Context

Phase 3: Completion

- Task 6: Stakeholder Engagement and Consultation
- Task 7: Plan for a Carbon Market Master Class for Government Officials to Learn and Exchange Governance Knowledge and Experience of CTX
- Task 8: Final Report and Final Workshop

The Assignment is scheduled to take place over 5 months, starting from August 2023 and ending in December 2023.

The implementation of the Assignment will be carried out by a consortium led by the Environment and Ecology Institute (EEI), collaborating with Green Climate Innovation Company Limited (GreenCIC) and Ecoeye Co., Ltd (Ecoeye), and international experts subcontracted by EEI. The Consultant/Consortium combines a strong national context understanding with international experiences and lessons to deliver the Assignment to the highest quality.

The primary beneficiaries of this Assignment are MOF, with a specific focus on the Legal Department, as well as the line ministries and agencies involved in the establishment and operation of the future CTX in Viet Nam, including MONRE, other relevant governmental agencies, international development organizations, financial institutions, and other relevant enterprises and organizations.

II.2. Implementation progress

II.2.1. Team mobilization and kick-off meetings

After the Contract was signed between UNOPS and EEI on July 13, 2023, EEI prepared sub-contracting agreements with other members of the Consortium, including GreenCIC, Ecoeye, South Pole, and Mr. Albert de Haan to ensure the timely onboarding of the organizations and experts for the implementation of the Assignment.

On 10 August 2023, the Consultant organized a kick-off meeting with the ETP. The primary objectives of this meeting were to introduce the Consultant team, get a consensus on the Assignment's tasks, and discuss subsequent steps. The Consultant presented an overview of the Assignment, timeline, team management, and the overall approach and methodology. ETP raised the request to speed up the activity on the plan for a carbon market masterclass in order to accommodate a first course in the UK in November 2023 (the course proposal in the UK should be sent around mid-September). The following courses can be organized in other countries to meet the needs of MOF and MONRE officers based on the results of the capacity need assessment. Other important notes include:

- *A public facing, publishable Executive Summary (no more than 2-5 pages ideally) in professional English must be submitted with each deliverable.*
- *A public facing, catchy PowerPoint presentation highlighting key information must be submitted with each deliverable.*
- *All project deliverables and presentations must be submitted in English and the local language.*
- *The Consultant is required to update their grant chart and the results and achievements of the project in accordance with the agreed project level Results-Based Monitoring Framework.*

Detailed minutes of the kick-off meeting between the Consultant and ETP are provided in Appendix 1.

On 14 August 2023, a consultation meeting was organized between the Consultant, ETP, and MOF. The objective of the meeting was to introduce MOF with the consultant team, to discuss the overall approach and timeline of the Assignment, and to discuss with them the country's context and initial assessment of international experiences on the establishment and operation of CTX for ETS. According to the approval decision by MOF, the project is expected to be completed in December 2023. This timeline shift is strategically aligned with COP 28 schedule, which will take place from November 30 to December 12, 2023, allowing Viet Nam to present insights on its efforts to establish the carbon market and CTX. Consequently, the implementation timeline for the Assignment

has been adjusted according to this revised schedule. Detailed minutes of the consultation meeting with MOF are provided in Appendix 2.

II.2.2. Developing Draft Inception Report

Based on the outline as provided in the Assignment's Technical Proposal, the Draft Inception Report was developed and submitted to ETP on 28 August 2023. After receiving feedback on the Draft Inception Report from ETP, the Consultant submitted the Revised Draft Inception Report on 25 September 2023.

The key considerations from the comment matrix of the Draft Inception Report are as follows:

- Consult with MOF and ETP on the targeted participants for consultation meetings and workshops to ensure the effective participation of a wide range of relevant stakeholders;
- Compile a table of key findings from international case studies for comparison;
- Include the rationale for the masterclass and a long-term training plan as the next steps;
- Send to and discuss with ETP in advance the capacity needs assessment questionnaires and the milestone reports' structures and contents.

The revisions based on ETP's feedback and comments in the Inception Workshop are incorporated into this Milestone 1 Report.

II.2.3. Developing a Carbon market master class plan in the UK

According to the discussion with ETP in the kick-off meeting, the first part of Task 7 which is related to the organization of a master course in the UK was implemented right after the inception phase, and the UK course program was expected to be delivered within September in order to ensure sufficient time for preparation of the course for MOF, MONRE, and other relevant organizations and entities in November. The activities and timeline for the overall master class remain unchanged as per the Technical Proposal submitted to the Client.

The Consultant developed a Concept Note for the design and organization of a master class on Emission Trading Scheme (ETS) and CTX for high-level ministry officials from Viet Nam and submitted it to ETP on 15 September 2023. The Concept Note entails reasonings to organize a master class in the UK and a tentative course agenda.

II.3. Updated Project Workplan

After consultation with the internal team, MOF, and ETP, the Consultant adjusted the Project Workplan to accommodate the requirements of MOF and ETP. The Table below shows the updated Project Workplan.

II.4. Methodology and detailed approach

II.4.1. Approach principles

To address the main objectives of this Assignment, the Consultant will apply the following approach principles:

Focus on national context feasibility

To effectively support the establishment and operation of CTX in Viet Nam, it is imperative to base on Viet Nam's national context, encompassing its prevailing legal, regulatory, and infrastructure frameworks and institutional arrangement regarding carbon markets, the CTX, and securities markets. This is pivotal in gaining a holistic and systematic perspective on Viet Nam's current status, enabling the establishment of a well-informed, tailored, and appropriate CTX framework that harmonizes with the nation's distinct conditions and needs.

Based on international experiences

International experience related to the development of the carbon market is important to develop the CTX for Viet Nam that can catch up with the state-of-the-art development at the global level. The Consultant will perform a comprehensive review of currently operating ETS worldwide and identify those that incorporate CTX in practice, then select relevant case studies that have contextual similarities with Viet Nam's context for further in-depth assessment utilizing the multi-criteria analysis (MCA) approach. The consultant team will assess and analyze the legal framework, infrastructure, and institutional arrangement from selected countries to gain deeper insight and lessons learned for Viet Nam's CTX establishment. In order to draw international experiences, the Consultant includes international experts with strong experience in legal and operational CTX.

Ensure effective engagement with national stakeholders

The involvement of key national stakeholders is pivotal in ensuring the Assignment aligns with local needs and priorities. This synergy not only enhances the effectiveness of the Assignment but also contributes to its long-term sustainability. By actively involving stakeholders from diverse sectors and government agencies, the Consultant can gain access to their invaluable insights, expertise, and perspectives. This collaborative approach allows the Consultant to craft a comprehensive strategy that harmonizes seamlessly with the intricacies of the Vietnamese context.

The Consultant's organizational structure provides a strong local presence in Viet Nam, processing a broader network of relevant stakeholders in the field of environmental protection, climate change, and sustainable development in Viet Nam and have a long-accumulated experience working with them, which enables the Consultant to reach key national stakeholders, including MOF and MONRE and other relevant players effectively.

Ensure synergy with relevant donor activities in Viet Nam

The implementation of the Assignment will make use of existing/ongoing efforts by relevant donors who are supporting the establishment and operation of the carbon market and CTX in Viet Nam.

The Consultant has extensive working experiences with key donors in these sectors and, with the support of MOF, ETP, UNOPS, and the beneficiaries, will be able to reach out to these donors in the case needed to ensure the synergy of the findings and recommendations under this Assignment with relevant donor activities in Viet Nam. To ensure transparent integration, a detailed catalog of significant donor initiatives has been compiled in Table 6.

II.4.2. Methodology

Regarding the general approach for the implementation of the Assignment, the Consultant will focus on the following methodologies:

Desk research: Desk research will be used to review operating ETSs worldwide with incorporated CTX, which subsequently identifies selection criteria to select relevant case studies for further in-depth assessment of specific case studies, therefore, providing a deeper insight into the legal framework, institutional arrangement, and infrastructure requirements for establishment and operation of CTX in those countries. Additionally, desk research will be used to review existing legal/regulatory documents that govern or need to be taken into consideration for the establishment and operation of the CTX in Viet Nam.

Stakeholder consultation: Stakeholder consultation methodology will be utilized throughout the Assignment. The Consultant will organize an Inception Workshop, a Consultation Workshop, and a Final Workshop, as well as stakeholders' consultation meetings to ensure relevant stakeholders' involvement in the preparation phase, implementation phase, and completion phase. Their participation and contributions are crucial to identify proper approaches and methodologies for the Assignment and provide a comprehensive understanding of the national context, including existing legal, institutional, and infrastructure for CTX and national best practices. Furthermore, stakeholder consultation is essential to comprehensively assess the existing capacity and knowledge gaps of government authorities in CTX and carbon markets, which allows the Consultant to design a carbon market master class for further improvement of the current capacities of the key government officials for the future establishment and operation of CTX.

The workflow of this Assignment with detailed sub-activities is shown in Figure below:

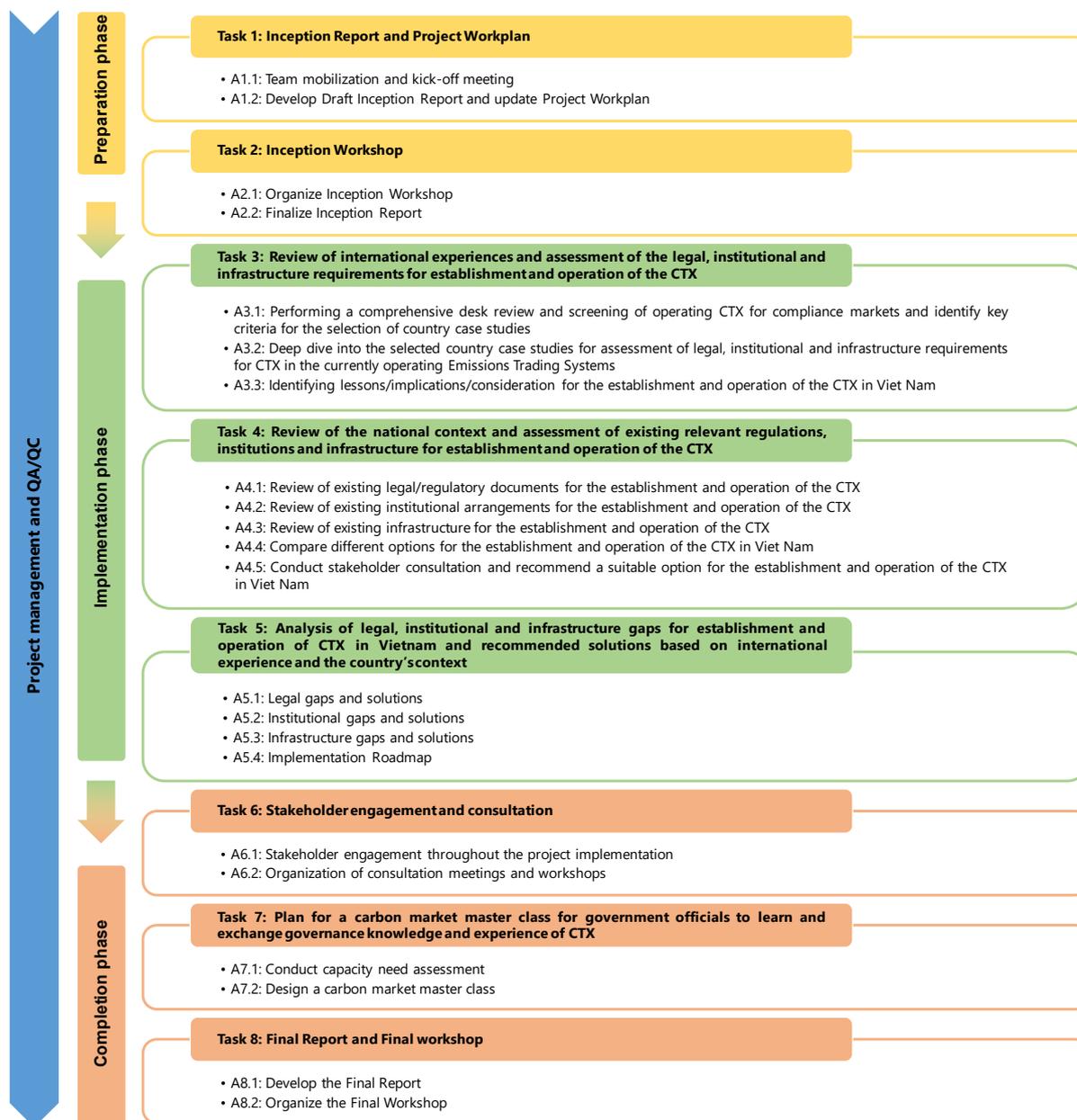


Figure 2: Workflow of the Assignment

The following section describes detailed tasks and activities that are proposed to be performed under the Assignment.

II.4.2.1. Task 1: Inception Report and Project Workplan

II.4.2.1.1. Activity 1.1: Team mobilization and kick-off meeting

Following the contract signing, the Consultant will mobilize the proposed experts for the implementation of the Assignment and organize the first team meeting to prepare for the kick-off meeting with ETP.

The kick-off meeting with the Clients will then be organized to ensure alignment on the subsequent course of action. The meeting will serve to provide updates on the project,

discuss the proposed approach and methodology, and address any necessary adjustments, such as the workplan and tentative timeline, etc.

Additionally, as required, further visits, meetings, and interactions with pertinent key stakeholders will be conducted to enhance comprehension of issues and concerns associated with the Assignment's implementation.

II.4.2.1.2. Activity 1.2: Develop Draft Inception Report and update Project Workplan

Based on the outline as provided in the Assignment's Technical Proposal, the Consultant will prepare a Draft Inception Report and submit it to ETP for review and approval. If ETP has comments or revision requests for the Draft Inception Report, the Consultant will address such comments and requests before it is shared with a wider range of stakeholders in the Inception Workshop.

The project plan will be updated according to real-time progress and requests from the beneficiaries if any.

II.4.2.2. Task 2: Inception Workshop

II.4.2.2.1. Activity 2.1: Organize Inception Workshop

The objective of the Inception Workshop is to gain a further understanding of the local context and relevant activities of the stakeholders in order to ensure synergy and avoid overlapping. It also aims to collect comments from the stakeholders on the proposed approach and methodology for the implementation of the Assignment. Through the event, it is expected that the awareness of the stakeholders on the domestic carbon market will be improved, and they will actively engage in and provide support for the implementation of the Assignment.

II.4.2.2.2. Activity 2.2: Finalize Inception Report

Based on the results of the Inception Workshop, the Consultant will finalize the Inception Report and submit it to the Client for approval. The final Inception Report will need to address all comments raised by the stakeholders in the Inception Workshop and include other revisions necessary for the implementation of the Assignment.

The final Inception Report will be the basis for all activities to be later implemented under the Assignment. It will serve as a roadmap for the project's implementation and ensure effective coordination and communication among stakeholders.

II.4.2.3. Task 3: Review of international experiences and assessment of the legal, institutional, and infrastructure requirements for the establishment and operation of the CTX

II.4.2.3.1. Activity 3.1: Performing a comprehensive desk review and screening of operating CTX for compliance markets and identifying key criteria for the selection of country case studies

In order to accomplish this task, the Consultant will undertake the following sub-activities:

Evaluation of Existing CTX: The Consultant will perform a comprehensive review of currently operating ETSs worldwide and identify those that incorporate CTX in practice.

The review will result in a list of the operating ETSs with incorporated CTX and other relevant information, including: country/territory, year of establishment, covered emissions, participants, main features of CTX, etc.

Identification of Criteria for selection of case studies: A set of well-defined selection criteria will be proposed to select relevant case studies from the above list of operating ETSs for further in-depth assessment.

These criteria will take into account the **contextual similarities** with Viet Nam, the ETS design, as well as the **performance of their respective CTX**. The criteria may include, but are not limited to:

- Economic conditions;
- GHG mitigation targets of the selected country(ies);
- Design of the ETS;
- Operational period;
- Institutional arrangement of the CTX;
- Volume of emissions allowances or carbon credits traded on the CTX.

The proposed criteria will be subject to extensive consultation with relevant stakeholders to ensure the thoroughness and efficacy of the analysis.

Multi-criteria analysis for the selection of Country Case Studies: Based on the proposed criteria, a list of country case studies will be compiled utilizing the **MCA** approach. Each criterion will be quantitatively represented through scoring mechanisms based on international expertise. Consequently, a ranking or preference order of the selected country case studies will be generated.

By following these steps, the country case studies that are most relevant for Viet Nam will be selected for further in-depth analysis. Those countries will provide useful lessons learnt to inform decision-making on the adoption of CTX within Viet Nam's emission trading scheme.

The process for selection of country case studies is demonstrated in the figure below:

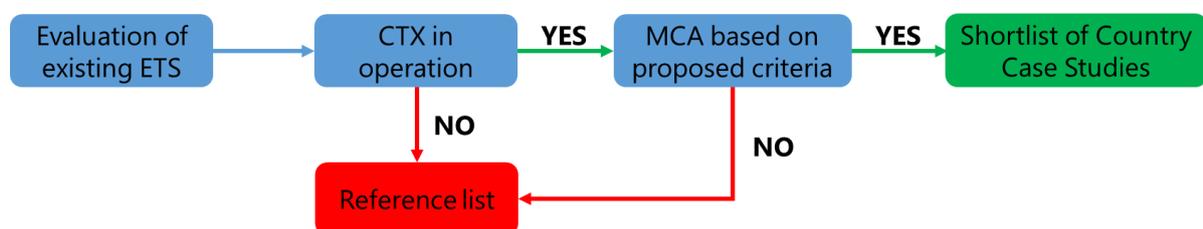


Figure 3: Process for selection of country case studies

II.4.2.3.2. Activity 3.2: Deep dive into the selected country case studies for assessment of legal, institutional, and infrastructure requirements for CTX in the currently operating ETS

Based on the shortlist of selected country case studies, the Consultant will conduct an in-depth assessment of the legal framework, institutional arrangement, and infrastructure requirements for the establishment and operation of CTX in those countries.

Legal framework: The development of the CTX necessitates careful consideration of the legal framework, which may require revisions to the country's existing general laws pertaining to areas such as property rights, insolvency, taxation, accounting, liquidity, and related regulations. Therefore, a comprehensive assessment will be conducted to provide thorough insights into the legal aspects of CTX development in the selected country case studies, especially how the legislations have been revised to accommodate the establishment and operation of the CTX, the timeframe for these to happen, the required resources, the resulted impacts (if available).

By carefully evaluating these aspects, the assessment aims to provide a comprehensive understanding of the legal landscape necessary for the successful development and implementation of the CTX in the selected country case studies, which can provide useful lessons for Viet Nam.

Institutional arrangement: The institutional arrangement plays a pivotal role in influencing the performance of CTX. Mapping out the institutional arrangement is crucial for understanding the overall organizational structure of the CTX administrator and for effectively mobilizing the necessary resources and expertise required for its execution. Therefore, the following sub-activities will be implemented to provide comprehensive and up-to-date insights into the institutional arrangement of CTX in the case studies of different countries:

- Listing mandate and appropriate CTX administrator and relevant function bodies: The assessment will involve identifying the appropriate entity with the mandate to administer the CTX within each country as well as other relevant entities that are involved in the establishment and operation of the CTX. This includes determining the designated organization responsible for overseeing and managing the CTX operations;
- Identifying Tasks and Operations of CTX Administrator and relevant function bodies: The assessment will determine the specific tasks and operations to be performed by the CTX administrator and other relevant entities that are involved in the establishment and operation of the CTX. This includes delineating their responsibilities and roles in facilitating CTX transactions and monitoring compliance;
- Identifying similarities and differences: The analysis will identify the similarities and differences in the CTX institutional arrangement of the different country case studies, the strengths, and potential weaknesses in each structure in order to derive relevant lessons learnt for Viet Nam.

Infrastructure: Ensuring the efficacy of the CTX relies heavily on establishing a resilient infrastructure. By strategically mapping the infrastructure requirements, it becomes feasible to outline a comprehensive organizational framework for CTX development and adeptly mobilize the necessary resources and expertise to carry out these operations. Consequently, with regard to infrastructure considerations, the Consultant recommends reviewing, among other topics, the following:

- Evaluating the required resources and infrastructure of the CTX's formulation: The Consultant will conduct a comprehensive evaluation of the resources and expenditures

associated with formulating the CTX, encompassing system formulation, maintenance, operations, hosting, and human resources, among other elements, based on public available documents;

- Evaluating various approaches to ensure the financial sustainability of CTX formulation: The Consultant will take into account factors such as budget allocation and fee structures. Furthermore, identify relevant measures and alternatives to optimize the cost of CTX formulation while also considering any potential risks that may arise;
- Identifying the necessity of capacity training for the designated government authorities responsible for the development and management of the CTX.

The workflow for these sub-activities is illustrated in the figure below:

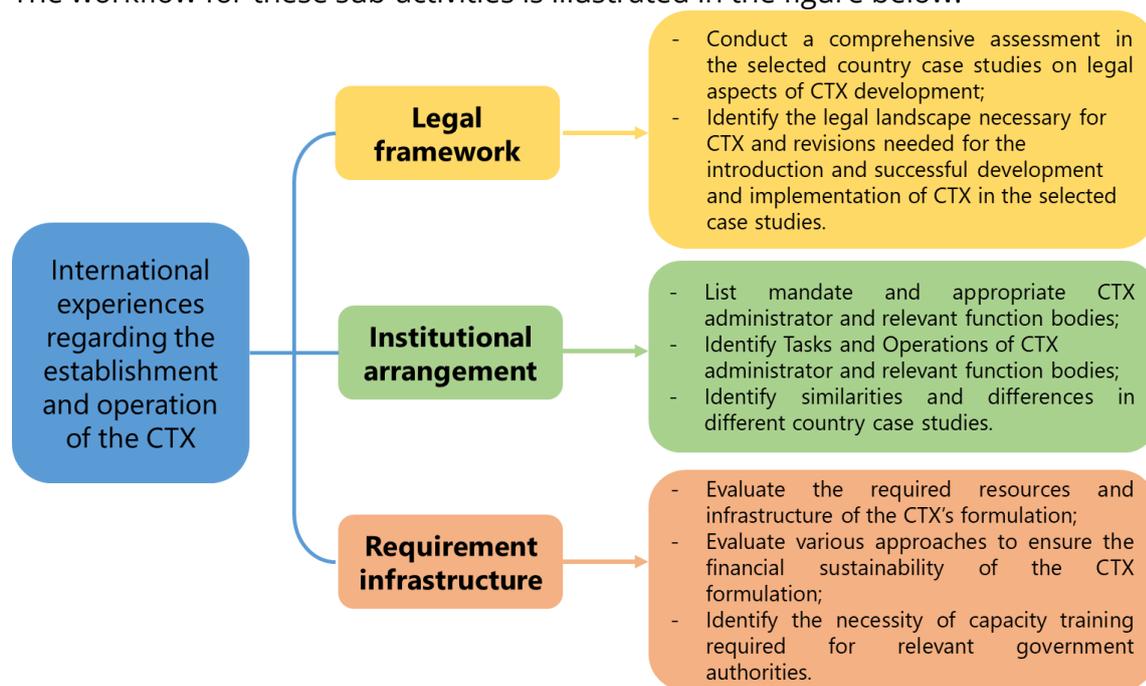


Figure 4: Workflow under sub-activity 3.2

After deep diving into each selected country, the Consultant will compile key findings into a comparison table to provide a comprehensive picture of the international experience for the establishment and operation of the CTX.

II.4.2.3.3. Activity 3.3: Identifying lessons/implications/consideration for the establishment and operation of the CTX in Viet Nam

Based on the comprehensive review above, the Consultant will:

- Analyze the findings from the review to identify potential pros and cons related to the establishment and operation of the CTX for each case study;
- Develop a set of considerations and recommendations based on the identified lessons and implications, tailored to the Vietnamese context. These should cover aspects such as legal and regulatory frameworks, technical infrastructure requirements, resource allocation, capacity building, and stakeholder engagement.

By following these steps, the identification of lessons, implications, and considerations specific to the establishment and operation of the CTX in Viet Nam can be effectively addressed.

II.4.2.4. Task 4: Review of the national context and assessment of existing relevant regulations, institutions, and infrastructure for the establishment and operation of the CTX

II.4.2.4.1. Activity 4.1: Review of existing legal/regulatory documents for the establishment and operation of the CTX

The legal framework is the most important instrument for the development of the CTX. It lays a legal foundation to allow CTX to be established and defines institutional management and mandates. In addition, the establishment and operation of the CTX may require amendments to existing legislative documents and the promulgation of secondary legislation for clarification and guidance on the laws. Therefore, it is necessary to conduct a systematic review of national legislation relevant to the CTX, including existing policies on carbon markets, the CTX, and securities markets. The following are specific tasks that need to be taken in this activity:

- Identify all relevant laws, regulations, and policies that govern the establishment and operation of the CTX and may be taken into consideration in the development and establishment of the CTX, such as the Law on Securities and relevant secondary legislation;
- Assess the current framework and discuss how the current national legal framework provides the necessary support for the functionality of the CTX and what actions are recommended to build a robust legal framework for the CTX. This may include how the existing legislation can be amended or new legislation can be enacted to support the establishment and operation of the CTX.

The documents to be reviewed and analyzed may include but are not limited to the following documents in the Figure and Table below.

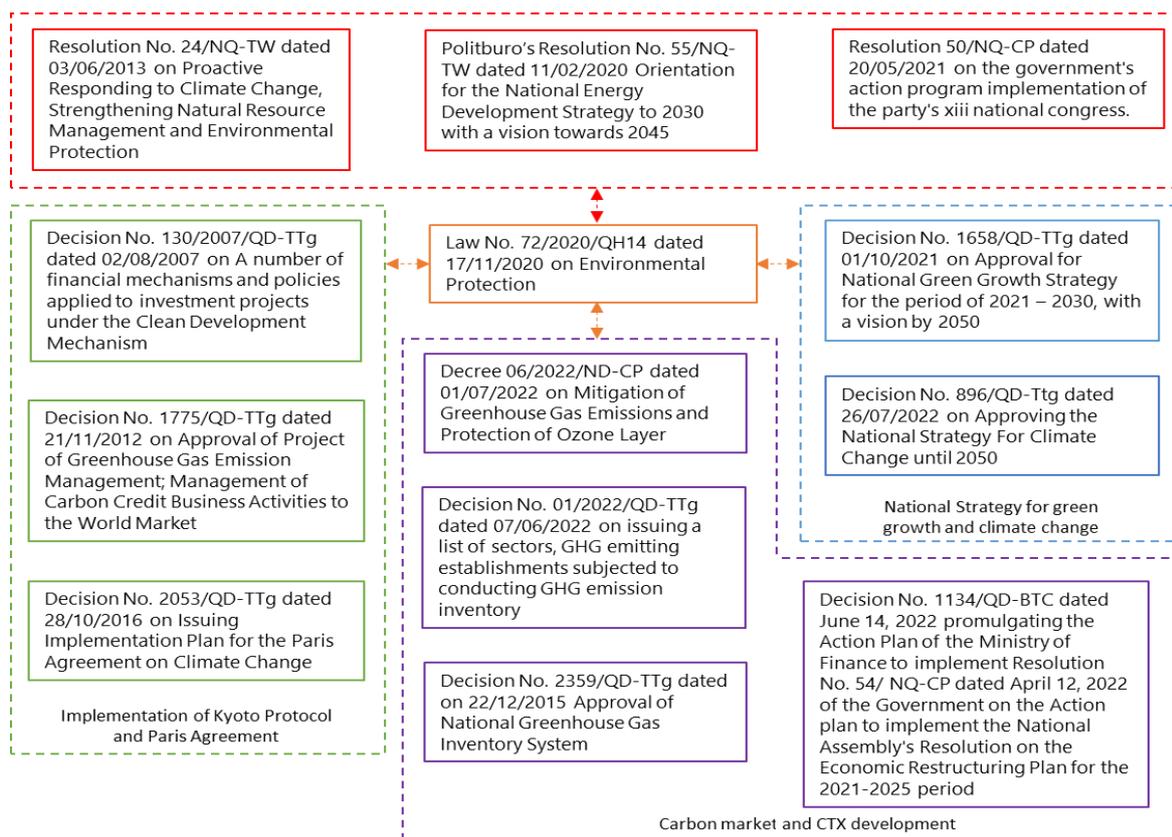


Figure 5: Overview of climate change response and carbon market-related policies in Viet Nam

The Figure above presents the existing legal framework for carbon market activities and development, including the CTX. The below Table lists the Law on Securities and relevant guiding legal documents including Decrees, Decisions, and Circulars promulgated by MOF.

Table 2: List of Laws and Secondary Legislation relevant to securities market in Viet Nam

LAW
1. Law No. 54/2019/QH14 dated 26/11/2019 on Securities
DECREE
1. Decree No.128/2021/ND-CP on Providing Amendments to Government's Decree No. 156/2020/Nd-Cp dated December 31, 2020 Prescribing Penalties for Administrative Violations Against Regulations on Securities and Securities Market
2. Decree No. 156/2020/Nd-CP dated 31/12/2020 on Prescribing Penalties for Administrative Violations Against Regulations on Securities and Securities Market
3. Decree No. 59/2021/ND-CP dated 18/06/2021 on Prescribing Financial Management and Performance Assessment of Viet Nam Exchange and Viet Nam Securities Depository and Clearing Corporation
4. Decree No. 155/2020/ND-CP dated 31/12/2020 on Elaboration of Some Articles of The Law on Securities
5. Decree No. 158/2020/ND-CP on Derivatives and Derivative Market

6. Decree No. 122/2017/ND-CP dated 13/11/2017 on Financial Management and Performance Assessment of Lottery Enterprises, Stock Exchanges, and Viet Nam Securities Depository
DECISION
1. Decision No. 37/2020/QD-TTg dated 23/12/2020 on Establishment, Organization and Operation of Viet Nam Exchange
CIRCULAR
1. Circular No. 06/2022/TT-BTC dated 08/02/2022 on Providing Guidelines on Compliance Supervision by State Securities Commission Regarding Operations in The Field of Securities of Viet Nam Exchange and Its Subsidiaries and Viet Nam Securities Depository and Clearing Corporation
2. Circular No. 58/2021/TT-BTC dated 12/07/2021 on Providing Guidelines for Some Articles of Government's Decree No. 158/2020/Nd-Cp dated 31/12/2020 on Derivatives and Derivative Market
3. Circular No. 57/2021/TT-BTC dated 12/07/2021 on Introducing Roadmap for Reorganization of Markets for Shares, Bonds, Derivatives and Other Securities
4. Circular No. 121/2020/TT-BTC dated 31/12/2020 on Prescribing Operation of Securities Companies
5. Circular No. 120/2020/TT-BTC dated 31/12/2020 on Providing for Trading of Listed and Registered Shares, Fund Certificates, Corporate Bonds and Secured Warrants Listed on Securities Trading Systems
6. Circular No. 119/2020/TT-BTC dated 31/12/2020 on Registration, Depository, Clearing and Settlement of Securities
7. Circular No. 118/2020/TT-BTC dated 31/12/2020 on Providing Guidance on Offering and Issuance of Securities, Tender Offer, Share Repurchase, Registration and Delisting of Public Companies
8. Circular 96/2020/TT-BTC dated 16/11/2020 on Providing Guidelines on Disclosure of Information on Securities Market
9. Circular No. 95/2020/TT-BTC dated 16/11/2020 on Guidance on Supervision of Securities Transactions on The Securities Market

II.4.2.4.2. Activity 4.2: Review of existing institutional arrangements for the establishment and operation of the CTX

Viet Nam has experience managing activities in the international carbon market and domestic securities market. A detailed analysis of these experiences will provide an understanding of Viet Nam's current institutional capacity for the CTX. Based on that, the Consultant will analyze the compatibility of existing administrative arrangements for the CTX and the challenges that need to be addressed in order to establish an organizational framework for the CTX's development and operation. The following outlines the steps needed for the review:

- Overview of existing institutional capacity of Viet Nam for management of activities with the international carbon market and domestic securities market:
 - Institutional arrangements for Viet Nam's activities under the Clean Development Mechanism (CDM) and Japan's Joint Crediting Mechanism (JCM);
 - Institutional arrangements for Viet Nam's securities exchange;
 - Institutional arrangements including duties and tasks of governmental organizations for the CTX according to the relevant legislation such as Environmental Law 2020, Decree 06/2022/ND-CP, MOF's Decision No. 1134/QD-BTC in 2022.
- Analyze the compatibility of existing administrative arrangements for the CTX, taking into consideration of the following factors:
 - The defined roles and responsibilities and interactions of relevant government agencies and resources;
 - The legal framework for the CTX;
 - The capacity and resources available to support the CTX.
 - Identify challenges to be addressed in order to establish an organizational framework necessary for the development and operation of the CTX.

II.4.2.4.3. Activity 4.3: Review of existing infrastructure for the establishment and operation of the CTX

The review of the existing infrastructure of Viet Nam's stock exchanges, such as HoSE and HNX, can be used as a starting point for the development of infrastructure for the CTX. It is a vital step to ensure a robust and secure infrastructure for CTX in the future. The review should cover the following aspects:

- Key components of the infrastructure: participants, types of trading, trading platform and systems, clearing, and settlement, security and transparency assurance, and data centers and networks;
- Current state of the infrastructure and the adaptability of the CTX with the stock exchange structure.

However, it is important to note that the emission trade exchange will have different requirements than the stock exchanges. Thus, any gaps or weaknesses in the current system should be identified in this step so they can be addressed with proposed solutions or recommendations in Task 5.

II.4.2.4.4. Activity 4.4: Compare different options for the establishment and operation of the CTX in Viet Nam

Based on the review of international case studies and national context on the legal, institutional, and infrastructure aspects of CTX, the Consultant will identify and compare different options for the establishment and operation of the CTX in Viet Nam.

In general, the options can fall into the following:

- Development: This involves drafting functional and technical specifications to engage an information technology (IT) services provider in building a registry system from scratch. In this scenario, the CTX would be developed and managed by a governmental authority;

- Adaptation: This option entails contracting an IT services provider to adapt and implement an existing registry/platform, which can be an open-source or licensed solution. Under this scenario, the CTX would be integrated into an existing platform, such as the stock exchange platform.
- Outsourcing: This option involves utilizing software as the basis for a service model, where a software vendor hosts and maintains the servers, databases, and code required for the registry application. This option includes utilizing a third-party platform, such as the EEX or another service provider.

Each of these scenarios will be carefully evaluated, taking into consideration their respective advantages and disadvantages, as well as the available resources and the specific context of Viet Nam. Through this comprehensive analysis and the stakeholder consultation specified in Activity 4.5 and Task 6, the most suitable option for the development of the CTX in Viet Nam will be identified, ensuring a well-informed decision that aligns with the country's requirement which is the ultimate objective of this Assignment.

II.4.2.4.5. Activity 4.5: Conduct stakeholder consultation and recommend a suitable option for the establishment and operation of the CTX in Viet Nam

Based on the analysis in Activity 4.4, the Consultant will discuss with the relevant stakeholders (MONRE, MOF, etc.) the available options, their strengths, and weaknesses, and consult the most suitable option for the next steps. The recommended option will be further analyzed to identify the gaps and solutions for implementation in Viet Nam on the legal, institutional, and infrastructure aspects.

The mapping of relevant stakeholders is provided in Activity 6.1 of this proposal. The organization and strategy for the consultation meetings and workshop are detailed in Activity 6.2.

II.4.2.5. Task 5: Analysis of legal, institutional, and infrastructure gaps for the establishment and operation of CTX in Viet Nam and recommended solutions based on international experience and the country's context

II.4.2.5.1. Activity 5.1: Legal gaps and solutions

To find the legal gaps and solutions, the Consultant proposes to conduct the following sub-activities:

- Identify gaps in the existing legal framework related to the establishment and operation of the CTX in Viet Nam based on the lesson learned and findings in Task 3 and 4 in accordance with the defined suitable option for the establishment and operation of the CTX in Viet Nam;
- Analyze the implications of these legal gaps on the effective functioning of the CTX;
- Conduct a comprehensive comparison of international best practices and experiences in addressing similar legal gaps with the current legal framework in Viet Nam;

- Propose specific legal solutions and amendments to bridge the identified gaps.

Sufficient supporting arguments and justifications will be provided for the proposed legal solutions, considering their alignment with national standards and best practices. Besides, the gap analysis and recommended solutions will discuss the following:

- The need and timeline for new legislation, regulatory changes, or policy revisions to address the legal gaps;
- Implementation guidelines and recommendations for effectively incorporating the proposed legal solutions, including collaboration with relevant stakeholders, e.g., legal experts and policymakers, to ensure the feasibility and practicality of the proposed solutions;
- Assessment of the potential impact of the proposed legal solutions on various stakeholders and the overall CTX operation.

II.4.2.5.2. Activity 5.2: Institutional gaps and solutions

To find the institutional gaps and solutions, the Consultant proposes to conduct the following sub-activities:

- Conduct a comprehensive evaluation of the existing institutional gaps and challenges in Viet Nam's CTX establishment, encompassing an assessment of the mandate and the identification of a suitable potential CTX administrator. Ensure that the anticipated mandate aligns harmoniously with the functions, duties, and authorities of the pertinent governmental entities;
- Evaluate the coordination mechanisms employed among various government agencies engaged in environmental regulation and financial markets to pinpoint any potential gaps or overlaps that may impede the smooth functioning of the CTX, especially within the MOF and MONRE and relevant potential administrator of the CTX;
- Assess the necessity of establishing a dedicated focal point or agency responsible for the efficient operation and management of the CTX. Factors such as governance structure, operational efficiency, and regulatory oversight should be taken into account during this evaluation;
- Evaluate the capacity and expertise of existing regulatory bodies or potential CTX administrators to effectively oversee and manage the operational aspects of the CTX;
- Develop and propose a preliminary model for the institutional arrangement essential for the establishment of the CTX in Viet Nam, considering all relevant factors and incorporating best practices to ensure its efficacy and suitability.

The recommended institutional setup will take into account the unique characteristics and specific features of the existing institutional arrangement in Viet Nam. This includes factors such as legal frameworks, governance structures, and market conditions.

II.4.2.5.3. Activity 5.3: Infrastructure gaps and solutions

Based on the international best practices and evaluation, the cost and infrastructure needed to develop the CTX will be tailor-made for Viet Nam, including:

- Identify the required human resources and expertise, including skilled professionals in carbon trading, financial regulation, and technological development, to address any gaps in knowledge and capabilities;
- Assess the potential costs associated with developing and maintaining the CTX infrastructure, considering factors such as initial setup costs, ongoing operational expenses, and investment in technology and human resources.

II.4.2.5.4. Activity 5.4: Implementation Roadmap

Based on a comprehensive review of international experiences and national context and the results of gap analysis in the previous activities, the Consultant will present a well-defined implementation roadmap for the development of the CTX, taking into consideration the following:

- Conduct an evaluation of the complexity associated with each task involved in CTX development, considering factors such as technical requirements, regulatory considerations, associated costs, and resources required, and operational challenges;
- Determine the priority order of each task based on the identified gaps and the criticality of addressing them to ensure the successful establishment of the CTX;
- Design an effective implementation roadmap that outlines the sequential steps and milestones necessary for the establishment of the carbon market in Viet Nam, considering the identified gaps, resource availability, and overall strategic objectives.

II.4.2.6. Task 6: Stakeholder engagement and consultation

II.4.2.6.1. Activity 6.1: Stakeholder engagement throughout the project implementation

Stakeholder consultation is critical in every stage of the implementation of the Assignment. The engagement with stakeholders is particularly important in the following activities:

Preparation phase:

- Providing inputs about existing projects and activities related to this Assignment in order to ensure synergy and avoid overlaps;
- Providing comments/feedback on the proposed approaches and methodologies in the **Inception Workshop** for effective implementation of the Assignment.

Implementation phase:

- Providing inputs about the national context, including existing legal, institutional, and infrastructure for CTX and national best practices;
- Providing comments/feedback on the findings from gap analysis and recommended solutions in **stakeholders meetings** and **Consultation Workshop**.

Completion phase:

- Providing inputs about existing capacities and capacity needs for the development of a plan for the carbon market master class for government officials;
- Providing comments/feedback on the overall findings and recommendations from the Assignment and the recommended next steps in the **Final Workshop**.

Therefore, the Consultant's organizational structure provides a strong local presence in Viet Nam and all partners have profound experience in stakeholder engagement, consultation, awareness raising, and capacity building in order to ensure their involvement and support from the beginning and throughout the implementation of the Assignment.

To ensure robust stakeholder engagement and effective consultation, as well as to optimize the involvement of donors in the carbon market and CTX initiatives, a comprehensive list of key stakeholders has been identified in both section II.5.1 and section II.6.

II.4.2.6.2. Activity 6.2: Organization of consultation meetings and workshops

Consultation meetings and workshops are important to ensure stakeholders' involvement in the Assignment. The activities will help to understand the national context and standpoints of different stakeholders, validate information, gather insights, discuss preferred options, identify gaps and solutions, and receive direct feedback on the recommendations for Viet Nam.

As mentioned above, based on the stakeholder mapping and mapping of relevant donors' activities, the Consultant will develop a stakeholder engagement strategy and donor coordination strategy, which include the organization of stakeholder consultation meetings and workshops.

Overall, there are three workshops will be organized under the Assignment: i) Inception Workshop to consult the proposed approach and methodology to implement the Assignment; ii) Consultation Workshop to consult the initial findings and recommendations from the Assignment; and iii) Final Workshop to consult the main takeaway and next steps.

The actual form of the workshops, the list of participants, and the contents of the Workshops will be discussed and agreed upon with ETP and MOF before the organization of the event. The consultation events will be organized to ensure the effective participation of a wide range of relevant stakeholders.

Besides, at least, three surveys and three consultation meetings will be organized with different stakeholders to stock-take the existing conditions and ensure focused discussion on the initial findings and recommendations. The surveys are intended to be performed with HNX, HOSE, and UpCOM while consultation meetings will be organized with key stakeholders, including MOF, MONRE, and the State Securities Commission. Meetings with other stakeholders and donors will be initiated as deemed necessary for the Assignment, which will be detailed in the Outreach Plan and Donor Coordination Strategy in this Report.

II.4.2.7. Task 7: Plan for a Carbon market master class for government officials to learn and exchange governance knowledge and experience of CTX

II.4.2.7.1. Activity 7.1: Conduct capacity need assessment

The capacity need assessment will be conducted under the Assignment in order to evaluate the existing capacities and identify the need for capacity building for government officials of Viet Nam for the establishment and operation of CTX.

Based on the stakeholders mapping and the recommended institutional arrangements for CTX performed in previous tasks, the Consultant will **identify the key institutions and organizations** for participating in the capacity need survey. These include the institutions that will be responsible for the design as well as administration, monitoring, and supervision of the CTX, etc. There may be a need to classify them into diverse groups for the capacity need survey.

The capacity need survey design and questionnaire will be developed for each individual (or each group) of institutions to assess their existing capacities, including their existing knowledge about the carbon market and the CTX. The survey will then be conducted among the targeted participants.

The design of the questionnaire, including the targeted number of respondents, will be submitted to ETP and MOF for review and approval before delivery to the targeted participants.

The Consultant will review the required capacities for the establishment and operation of CTX based on international experiences and identify the capacity gaps to be filled for the existing institutions to undertake the new mandates.

II.4.2.7.2. Activity 7.2: Design a carbon market master class

The carbon market master class will be designed to improve the current capacities of the key government officials for the establishment and operation of CTX. The master class design will include the following at minimum:

- The general and specific objectives of the training;
- The proposed list of participants for the training and justification for their participation;
- The proposed training contents;
- The proposed locations of the training: in the case that an abroad study tour is proposed, the Consultant will identify the specific countries that may be relevant for the government officials to learn the specific knowledge and experience related to the establishment and operation of CTX;
- Duration: the proposed period for the organization of the training;
- Expected achievements from the training, and
- Estimated cost of the training.

The proposed contents of the master class will be provided with a rationale. It might be difficult for one training to accommodate all the capacity needs of the participants given

the early stage of the carbon market development in Viet Nam. In this case, the Consultant will propose a phasing approach so that the master class will focus more on the immediate capacity needs while a longer-term training plan will also be sketched out as the next steps.

The capacity needs assessment and the design of the carbon market master class will be performed in a participatory manner, which includes close collaboration with MOF, MONRE, and other relevant agencies and organizations. Gender aspects will be integrated into the process.

II.4.2.8. Task 8: Final Report and Final Workshop

II.4.2.8.1. Activity 8.1: Develop Final Report

Based on the outputs from the preceding activities, the Consultant will compile the Draft Final Report, adhering to the initial structural framework outlined below:

Table 3: Initial structure of the final report

1. Introduction and project background:

Provide a comprehensive introduction to the project, emphasizing its objectives and significance within the context.

2. International experiences and assessment of legal, institutional, and infrastructure requirements for the establishment and operation of the carbon trade exchange (CTX):

- Case studies of successful CTX operating under emissions trading schemes globally:
 - Highlight notable examples of successful CTXs and their operational frameworks;
 - Extract valuable lessons and insights from these case studies.
- International experience in the institutional framework of CTX:
 - Analyze key aspects of the institutional setup in successful CTXs;
 - Identify lessons learned and best practices from international experiences.
- Legal framework for the establishment of CTX:
 - Examine important aspects of the legal framework necessary for CTX establishment;
 - Incorporate lessons learned from international experiences in developing a suitable legal framework.
- Infrastructure requirements for the establishment of CTX:
 - Evaluate the critical infrastructure components needed for the successful operation of CTX;
 - Utilize lessons learned from international experiences to outline infrastructure requirements.

3. The national context and assessment of existing regulations, institutions, and infrastructure for the establishment and operation of CTX in Viet Nam:

- Existing legal/regulatory documents for the establishment and operation of CTX in Viet Nam:
 - Assess the current legal and regulatory landscape relevant to CTX in Viet Nam;
 - Identify existing regulations pertaining to CTX establishment and operation.
- Existing institutional arrangements for the establishment and operation of CTX:
 - Analyze the institutional framework in place for CTX in Viet Nam;
 - Evaluate the effectiveness of existing institutional arrangements.
- Existing infrastructure for the establishment and operation of CTX:
 - Assess the adequacy and readiness of the existing infrastructure to support CTX operations in Viet Nam.
- Compare different options and recommend a suitable option for the establishment and operation of CTX in Viet Nam:
 - Analyze and compare various options for CTX establishment and operation in Viet Nam;
 - Based on the assessment, recommend the most suitable option for CTX implementation in Viet Nam.

4. Analysis of legal, institutional, and infrastructure gaps for the establishment and operation of CTX in Viet Nam and recommendations:

- Analysis of legal framework gaps and proposed solutions:
 - Identify gaps in the existing legal framework for CTX in Viet Nam;
 - Propose practical solutions and recommendations to address these gaps.
- Analysis of institutional arrangement gaps and proposed solutions:
 - Identify gaps in the current institutional setup for CTX in Viet Nam;
 - Provide recommendations for enhancing the institutional arrangements to support CTX operations.
- Analysis of infrastructure gaps and proposed solutions:
 - Identify gaps in the infrastructure required for CTX establishment and operation in Viet Nam;
 - Recommend strategies to bridge these gaps and ensure efficient infrastructure support.

5. Conclusions:

- Summarize the key findings and recommendations from the analysis of legal, institutional, and infrastructure aspects of CTX establishment and operation in Viet Nam.
- Provide a concise conclusion that emphasizes the significance of the report's outcomes and their implications for the future implementation of CTX in Viet Nam.

The initial structure and content of the final report proposed above will be further updated/adjusted as necessary when the project goes. The Consultant will also discuss

with ETP and MOF to agree on the structure and the contents of the final version of the report before we compile it with specific details.

II.4.2.8.2. Activity 8.2: Organize Final Workshop

Upon obtaining approvals from MOF and ETP, the Consultant will orchestrate the Final Workshop, inviting the key stakeholders as identified in the Stakeholder Engagement Strategy to partake in the event.

The objective of the Final Workshop is to discuss the main findings and conclusions of the Assignment and the next steps for the development of a legal and institutional framework as well as a detailed design of the CTX in Viet Nam.

The comments and inputs of the stakeholders in the Final Workshop will serve for the finalization of the Final Report of the Assignment.

II.5. Mapping of key stakeholders and outreach plan

II.5.1. Mapping of key stakeholders

Due to the intricate nature of this Assignment, which involves coordination among diverse stakeholders, ranging from government authorities to enterprises, it is crucial to establish a clear understanding of key stakeholders. This entails defining their roles, responsibilities, and interests in the Assignment. The table below will present an initial list of the pertinent key stakeholders involved in the Assignment, along with the *Communication Plan*.

Table 4: List of stakeholders

No.	Name	Contact Details	Relevance to the Assignment
1	Key line ministries and government authorities		
1.1	Ministry of Finance		
1.1.1	Legal Department	Director General: Hoang Thai Son Phone: (+84) 2422206032 Email: hoangthaison@mof.gov.vn Address: 28 Tran Hung Dao, Hoan Kiem, Ha Noi	The Legal Department provides legal opinions and participates in drafting programs of legal documents related to the financial policy for green growth and sustainable development.
1.1.2	Department of Public Expenditure	Director General: Nguyen Truong Giang Phone: (+84) 2422202828/4014 Email: nguyentruonggiang@mof.gov.vn Address: 28 Tran Hung Dao, Hoan Kiem, Ha Noi	The Department of Public Expenditure supports state management of public expenditure, including the financial management for MONRE.
1.1.3	Department of Banking and Financial Institutions	Director General: Phan Thi Thu Hien Phone: (+84) 2422202828/7502 Email: phanthithuhien@mof.gov.vn Address: 28 Tran Hung Dao, Hoan Kiem, Ha Noi	The Department of Banking and Financial Institutions supports managing the financial market and services. finance under the state management of the Ministry of Finance; financial state management of the State Bank of Viet Nam, credit institutions and major financial institutions.
1.1.4	Department of Tax Policy	Director General: Nguyen Quoc Hung Phone: (+84) 2422205070 Email: nguyenquochung@mof.gov.vn Address: 28 Tran Hung Dao, Hoan Kiem, Ha Noi	The Department of Tax Policy provides support and assistance to the Minister of Finance on the research and development of policy and legal documents related to taxes, fees, and charges. Note: According to Decree 14/2023/ND-CP dated 20/04/2023 Defining functions, tasks, powers, and organizational structure of the Ministry of Finance, the

			Department of Tax Policy will become the Department of Tax, Fee, and Charge Policy Management and Monitoring from 15/05/2023. However, the Tax Policy Department will continue to perform its functions and duties in accordance with current legal regulations until the Minister of Finance issues a Decision defining the functions, duties, powers, and organizational structure of the Department of Tax, Fee, and Charge Policy Management and Monitoring.
1.1.5	State Securities Commission (SSC)	Chairperson of SSC: Vu Thi Chan Phuong Phone: (+84) 2439340750 Address: 234 Luong The Vinh, Nam Tu Liem, Ha Noi	The State Securities Commission supports state management of securities and the securities market and directly manages, and monitors activities related to securities and the securities market.
1.1.5.1	<i>Securities Market Development Department</i>		<i>The Securities Market Development Department develops strategies and short-term and long-term plans for securities market development and related activities. The Department is also in charge of issuing, extending, and revoking permits and certificates related to securities activities, as well as approving new types of securities and trading systems.</i>
1.1.5.2	<i>Securities Business Management Department</i>		<i>The Securities Business Management Department is in charge of issuing, extending, and revoking permits and certificates of companies, organizations, and individuals providing securities-related services.</i>
1.1.5.3	<i>Legal Affairs Department</i>		<i>The Legal Affairs Department develops annual, long-term, and short-term programs and plans on promulgating legal documents in the field of securities and securities market.</i>

1.1.5.4	Inspection and Supervision Department		<i>The Inspection and Supervision Department promulgates legal documents on supervision of securities trading activities, supervision of compliance with the provisions of law on securities and securities market, develops policies and plans related to securities exchange supervision, and supervises and inspects relevant regulatory compliance.</i>
1.1.5.5	Hanoi Stock Exchange (HNX)	Chairperson: Nguyen Duy Thinh Phone: (+84-24) 39412626 Email: hnx@hnx.vn Address: 02 Phan Chu Trinh, Hoan Kiem, Ha Noi	<i>The Hanoi Stock Exchange organizes, regulates, and operates securities trading activities and securities markets, including the Listed Stock Market, Government Bond Market, Unlisted Public Company Market (UPCoM), and Derivatives Market. It also promulgates regulations on listing, trading, information disclosure, and trading members after approval by the State Securities Commission.</i>
1.1.5.6	Unlisted Public Company Market (UPCoM)		<i>UPCoM is the market at HNX for unlisted public companies.</i>
1.1.5.7	Ho Chi Minh Stock Exchange (HoSE)	Chairperson: Nguyen Thi Viet Ha Phone: (+84) 2838217713 Email: hotline@hsx.vn Address: 16 Vo Van Kiet, District 1, Ho Chi Minh City	<i>The Ho Chi Minh Stock Exchange organizes, regulates, and operates securities trading activities and securities markets. It also promulgates regulations on listing, trading, information disclosure, and trading members after approval by the State Securities Commission.</i>
1.1.5.8	Viet Nam Securities Depository and Clearing Corporation (VSDC)	Chairperson: Nguyen Son Phone: (+84-24) 39747123 Email: webmaster@vsd.vn Address: 112 Hoang Quoc Viet, Bac Tu Liem District, Ha Noi	<i>The Viet Nam Securities Depository and Clearing Corporation (VSDC) is in charge of securities registration, depository, clearing, settlement, and provision of supporting services in securities trading.</i>

1.1.6	National Institute of Finance	President: Nguyen Nhu Quynh Phone: (+84) 2422204022 Address: 7 Phan Huy Chu, Hoan Kiem, Ha Noi	The National Institute of Finance is in charge of researching and developing financial strategies and policies as well as organizing and managing scientific and technological research activities in the finance sector.
1.2	MONRE		
1.2.1	Department of Climate Change	Director of Economics and Climate Change Information Division: Mr. Nguyen Van Minh, Email: nvminh.dmhcc@gmail.com Address: 10 Ton That Thuyet, Nam Tu Liem, Ha Noi	The Economics and Climate Change Information Division is responsible for the research and development of mechanisms and policies on tax, fees, charges, market, and non-market activities related to climate change. The Division also studies, recommends, and implements pilot models and projects of economic instruments in climate change response.
1.2.2	Environmental Protection Fund	Director: Nguyen Duc Thuan Phone: (+84) 2437951221 Email: ndthuan@monre.gov.vn Address: 6th Floor, Map Publishing House, 85 Nguyen Chi Thanh, Dong Da, Hanoi	The Environmental Protection Fund mobilizes domestic and international capital sources and provides financial support for projects and activities related to environmental protection.
2	Financial institutions, and banks	Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank), Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV), etc.	Financial institutions and banks can act as intermediaries in carbon markets, connecting buyers and sellers of carbon credits. They provide a platform for trading carbon allowances, helping market participants find suitable counterparties for their transactions.
3	Media	VTV, VnExpress, Vietnam News Agency (VNA), etc.	The media plays a vital role in the CTX by raising the public's awareness about carbon markets, emissions trading, and related information. They help educate the public, businesses, policymakers, and investors

			about the significance of reducing carbon emissions and the mechanisms involved in carbon trading.
4	Multilateral donors	ETP, World Bank, UNDP, etc.	Multilateral donors refer to international institutions that collaborate with numerous countries, thereby offering assistance on both regional and global levels. Information regarding the roles and contact information of these bilateral donors will be outlined within the donor coordination strategy
5	Bilateral donors	GIZ, JICA, USAID, etc.	Bilateral donors represent individual nations that extend aid to Viet Nam in accordance with their specific bilateral agreements or partnerships. Information regarding the roles and contact information of these bilateral donors will be outlined within the coordination strategy.

II.5.2. Stakeholders outreach plan

The objective of the outreach plan is to establish a structured framework for effective communication with the stakeholders for the successful implementation of the assignment. It aims to harmonize stakeholder needs, establish standardized communication channels, and facilitate the exchange of assignment-related information. The plan intends to enable efficient processes for conveying assignment status, disseminating updates, addressing concerns, and providing a platform for stakeholders to offer feedback. Through clear and targeted communication, the outreach plan strives to enhance transparency, stakeholder engagement, and two-way communication throughout the assignment's duration.

The Outreach Plan is strategically crafted to facilitate communication among the Consultant, the donor, and other key stakeholders. This plan is driven by the following well-defined goals:

- Enhancing Awareness and Insight: Increase organizational awareness of the Assignment's potential impact and significance.
- Transparent Progress Communication: Effectively convey the Assignment's evolving status, fostering coordinated actions and shared understanding.
- Stakeholder Issue Resolution: Promptly address concerns, catering to the specific needs of critical stakeholders.
- Continuous Improvement Cultivation: Integrate valuable suggestions and recommendations to refine and optimize project processes.
- Timely Issue Reporting: Communicate any obstacles that might affect the Assignment's execution and consequent outcomes.
- Ensure stakeholder awareness: Ensure all relevant stakeholders and any other interested parties thoroughly comprehend the Assignment's purpose and rationale.
- Sustaining Enthusiasm: Continuously reinforce the Assignment's value, thereby maintaining a high level of enthusiasm and engagement among stakeholders.

The primary objective of this Outreach Plan is to provide a well-structured communication protocol tailored to the diverse stakeholder groups to effectively communicate pertinent information and enhance effective collaboration, thereby ensuring elevated transparency and proactive stakeholder involvement throughout the Assignment's lifecycle.

The Outreach Plan below includes details about the aspects, contents, targeted audiences, forms, and timeframe/frequencies of communication and engagement with relevant stakeholders during the implementation of the Assignment. This ensures clear and targeted communication for effective collaboration.

Table 5: The stakeholder outreach plan for this Assignment

Aspect	Content	Targeted audience	Form	Timeframe/ Frequency
Background information and initial feedback for implementation of the Assignment	Background information of the Assignment includes: the plan for ETS development in Viet Nam, existing considerations for the establishment of the CTX, proposed approaches and methodology for implantation of the Assignment, and viewpoints from relevant stakeholders, etc.	- ETP - MOF	Kick-off meetings	Aug 2023/ In the inception phase
		- Wide relevant stakeholders	Inception Workshop	Sep - Oct 2023/ In the inception phase
Existing legal, institutional, and infrastructure for CTX, gaps and solutions	Includes information about the existing relevant regulations, institutions, and infrastructure for the establishment and operation of CTX in Viet Nam, its similarities, and differences with the selected case studies in other countries, preliminary gaps identified, and solutions proposed by the Consultant	- MOF	Bilateral consultation meetings	During the whole project/ At least 2 times
		- Wide relevant stakeholders	Consultation Workshop	Oct - Nov 2023/ One consultation workshop
Capacities of stakeholders	Includes existing knowledge, skills, and the required ones for the establishment and operation of CTX in Viet Nam	- MOF - MONRE - Other	Capacity needs questionnaire survey	Nov 2023
Plan for carbon master class	Includes objectives, targeted participants, program, estimated budget, etc.	- ETP - MOF - MONRE	Bilateral meetings/ e-mails/ calls	Sep, Nov 2023/ As frequent as needed

Overall findings and recommendations	Includes the findings from desk review, stakeholders' survey and interviews, expert analysis, and recommendations for establishment and operation of CTX in Viet Nam by the Consultant	- Wide relevant stakeholders	Final Workshop	Dec 2023/ One final workshop
Awareness	Questions related to the Assignment	All stakeholders	Bilateral meetings/Works hops/ Web Page/ e-mail	During the whole project/ As frequent as needed
Generic Information / Status	Popular Press Articles on the industry progress related to the Assignment	All stakeholders	Web Page/e-mail	During the whole project

II.6. Donor coordination strategies

The Assignment will leverage existing efforts supported by relevant donors to promote carbon market development and establish CTX in Viet Nam. The Consultant brings extensive experience with key donors in these areas and, with support from ETP and beneficiaries, can engage these donors if necessary. This collaboration aims to align the findings and recommendations of this Assignment with ongoing donor activities in Viet Nam. The table below presents an initial list of important donor activities for consultation during the implementation of the Assignment.

Table 6: Initial list of key relevant donor activities

No.	Activities	Focal/ Contact points	Relevance to the Assignment
1	World Bank	Department of Climate Change, Ministry of Natural Resources and Environment	The objective of the work package CS 1.1 is to assist the Ministry of Natural Resources and Environment (MONRE) in developing the main building blocks for recommended market-based carbon pricing approaches at the national level, with a focus on data collection; measurement, reporting, and verification (MRV)-related components, and key design elements, principles, and criteria for the crediting process.
	VNPMR's Component 2: Research on market-based carbon pricing approaches, investment, and financial policies and instruments		The objective of the work package CS 1.2 is to provide important information on the potential impacts of the various Carbon Pricing Instruments (CPIs) assessed, their political acceptability, their relations with existing and planned policies and other markets, and the administrative effort required to develop and implement them.
	Viet Nam Partnership for		The objective is to support the Government with the

	Market Implementation Project (VNPMI)		development and application of a National Crediting Program and ETS and enhance expertise and capacity for their implementation. Outputs include legal and technical support for ETS in the industry sector, support for pilot voluntary domestic trading schemes in steel, cement production, and thermal power sectors, and the detailed design for mandatory domestic ETS.
2	Asian Development Bank (ADB)		
	Article 6 Support Facility (A6SF)	Name: Virender Kumar Duggal Title: Principal Climate Change Specialist, ADB Email: vkduggal@adb.org	The A6SF provides technical assistance to Viet Nam through policy development and capacity-building support. As part of this support, ADB will help Viet Nam to review its policy framework and develop recommendations to develop its domestic carbon market and to operationalize Article 6.
3	UNDP		
	Assessment of applicability of carbon projects under the requirement of Article 6 of the Paris Agreement and Viet Nam NDC contribution	Name: Hoang Thanh Ha Title: Technical Expert on Energy and Climate Change Mitigation Email: hoang.thanh.ha@undp.org	This project aims to evaluate the feasibility of carbon projects in Viet Nam under the current mechanisms that comply with Article 6 of the Paris Agreement and support Viet Nam's NDC goal. Based on the evaluation results, the project will develop a set of criteria and suggested procedures for transitioning and selecting projects that can contribute to Viet Nam's NDC.
4	The Government of Singapore		

	The MOU on Carbon Credits Collaboration signed with Singapore	MONRE	The MOU signals Singapore's and Viet Nam's commitment to collaborate on carbon credit pilot projects which would support both countries in meeting their climate targets. To implement the pilot projects, both countries will also develop modalities and procedures to enable the transfer of correspondingly adjusted carbon credits that are generated.
5	GIZ		
	Macroeconomic Reforms/Green Growth Programme	Name: Macroeconomic Reforms/ Green Growth Programme Tel: (+84) 2437345195 - Ext. 101 Email: office.macro@giz.de	This program aims to strengthen the management of its public and private resources towards inclusive and green growth by enhancing the coherence of Viet Nam's economic policies, e.g., green economic policies, green fiscal policies, credit policies, banking, and green public financial management.

II.7. Project management

With a good understanding of the local context due to its broad network with relevant stakeholders in Viet Nam, EEI will be the lead partner of the Consortium and be responsible for overall coordination for the smooth implementation of the Assignment and leading consultation meetings with key stakeholders at the Ministry of Finance (MOF), Hanoi Stock Exchange (HNX), Ho Chi Minh Stock Exchange (HOSE) and others. EEI is also responsible for providing technical inputs in terms of existing relevant regulations, institutions, and infrastructure requirements for the establishment and operation of the CTX in Viet Nam as well as capacity building and training for the stakeholders in Viet Nam.

GreenCIC will be responsible for providing local technical inputs regarding the design and operation of CTX, carbon pricing instruments, domestic carbon market, and capacity building in the field of GHG emission inventory and carbon market operation. GreenCIC also takes the duty of technical coordinating with Ecoeye and the sub-contracted

international experts to ensure and maximize the contribution of international experiences to the Assignment.

Ecoeye, with its first-hand experience with the Korean carbon market, currently one of the most dynamic markets, will provide the compilation and analysis of international experiences related to the design and operation of the CTX in Korea to provide pertinent policy recommendations on the design of a CTX for Viet Nam.

Mr. Russell Quek Kai Zhi from South Pole and Mr. Albert de Haan, sub-contracted by EEI, will provide international inputs on the experiences of operating ETS/CTX in other countries, including the EU, the Netherlands, the UK, China, etc. The experts will be involved in the gap analysis and recommendations for the establishment and operation of CTX in Viet Nam and for the development of a plan for a carbon market master class for government officials in Viet Nam to learn and exchange governance knowledge and experience of CTX. The management structure for implementing this Assignment is provided in the following figure.

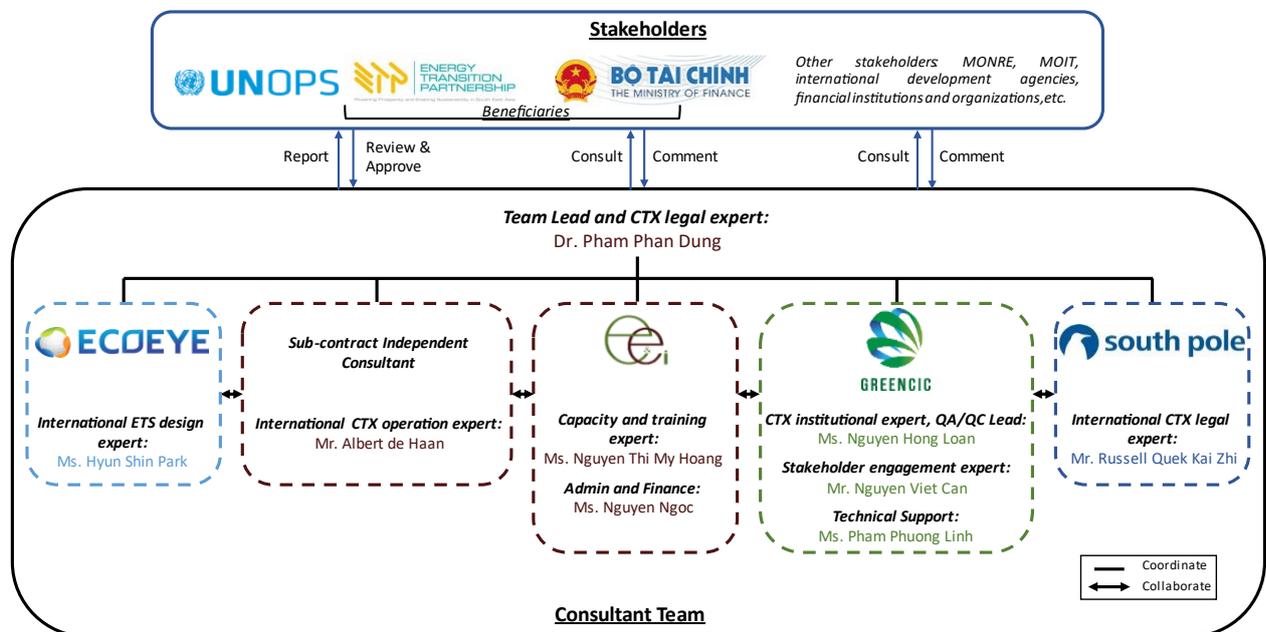


Figure 6: The management structure of each partner implementing this Assignment

Qualifications of key personnel are demonstrated as follows:

- Dr. Pham Phan DUNG, Team lead and CTX national legal expert

Dung holds a Ph.D. degree in Banking and Finance and an MSc. Degree in Economic Policy Management, a bachelor's degree in Industrial accounting, and a certificate of university lecturer. Dung has 35 years of working at the Ministry of Finance, holding the Director General positions at the Department of Banking and Finance and then at the General Department of State Reserves. He participated in the drafting of the Law on National Reserve in 2012 and the Law on Securities in 2007. He also set up several financial funds in Viet Nam, including the Viet Nam Environmental Protection Fund, Cooperative Development Assistance Fund, and Development Investment Fund.

He has been working for EEI for 6 years since 2017, on consultancy projects in the field of climate finance, green growth, and sustainable development. With a deep understanding of the legal frameworks and regulations governing financial activities, stock exchange, climate finance, and related activities, he has performed the task of reviewing legal and institutional arrangements and policies in Viet Nam under different projects such as “Support the Ministry of Planning and Investment in researching and defining relevant policies to ensure the commitment of Vietnamese government to COP22” and “Preparing for the development of Viet Nam Long-term (2050) GHG Low Emission Strategy”.

He is currently conducting a study on carbon finance, particularly on developing institutional arrangements for solar PV policies to attract carbon finance for raising NDC ambition. In 2021, he led the EEI team in developing tools and methods for the analysis of climate change adaptation and mitigation options. With a broad network and intensive experience working with stakeholders in Viet Nam, he has successfully supported the World Resources Institute in liaising with multiple related stakeholders in Viet Nam such as MONRE, MOF, MPI, and development agencies such as SNV, GIZ, UNDP, World Bank, French Development Agency, and other organizations.

- Mr. RUSSELL Quek Kai Zhi, CTX international legal expert

Russell holds a Master of Laws (LL.M.) in Commercial and Company Law from Erasmus University, Rotterdam School of Law in the Netherlands. He is also currently studying Master of Leadership in Sustainable Finance at the Frankfurt School of Finance & Management, Germany.

Russell has been working as a legal expert in the field of finance for 4 years. He is currently a Senior Managing Consultant for Climate Policy, Finance, and Carbon Markets at South Pole. He engages in internal consultancy work, developing strategies for South Pole's portfolio and demand regarding Article 6 Paris Agreement Internationally Transferred Mitigation Outcomes (ITMOs) for corporate use. He also supports the development of nature-based solution-sourcing strategies in jurisdictional REDD and Article 6 ITMOs.

Previously, Russell worked as an Associate Director at UBS in their APAC Sustainable Finance Office where he provided thought leadership and carbon advisory services to clients, advising them on carbon market risk mitigation and proposing a unique blended finance structure for early-stage carbon projects using philanthropic funds.

Russell also gained valuable experience as an Associate in the Commodities Department of Holman Fenwick Willan in Singapore. In their position, he played a crucial role in advising and providing legal support for carbon exchange initiatives, including the establishment of the Climate Action Data Trust and the drafting of important legal documents for carbon offsets and emissions trading like Climate Impact Exchange (CIX).

- Ms. Nguyen Hong LOAN, CTX institutional expert

Loan has been the advisory manager of GreenCIC since 2011 with 12 years of working experience in the field of climate change policy and advisory in Viet Nam. She holds a Master's degree in Development Policies and Practices from the Geneva Graduate Institute in Switzerland. She had worked for the Ministry of Science and Technology before joining the private sector for consultancy projects and hence has a broad

understanding of the institutional arrangement in Viet Nam. Her areas of expertise include GHG mitigation, carbon pricing, carbon market development, and carbon tax. Currently, she is the climate change expert and contract manager of the Technical Assistance Project on Impact Assessment of EU's Carbon Border Adjustment Mechanism and Carbon Tax Policies for Viet Nam. Her main role is providing inputs for the design and implementation recommendation activities for a carbon tax in Viet Nam. Besides, she is also the focal point of the project, coordinating and managing teams of experts, and QA/QC, as well as facilitating local stakeholder consultation. Under this Assignment, Loan will be leading the GreenCIC team in providing technical inputs regarding the design and operation of CTX, carbon pricing instruments, domestic carbon market, and capacity building in the field of GHG emission inventory and carbon market operation.

- Ms. Hyun Shin Park, ETS design expert:

Hyunshin is an expert from South Korea in the design and implementation of the Korean national ETS. She is currently a Ph.D. candidate in Climate Change Engineering from the University of Seoul. She also holds a master's degree in urban planning from INHA University.

As a leader of the Carbon Market Research Team at Ecoeye for 13 years, she is responsible for publishing regular analysis reports on the development of the K-ETS, gathering opinions from companies subject to allocation, and ensuring market analysis reports reflect key stakeholder perspectives. Additionally, Hyun Shin analyzes the supply and demand of emission rights and carbon credits in major industries using prediction models and simulation tools. Hyun Shin's expertise extends to forecasting the price of carbon credits certificates. By conducting mid- to long-term emission permit price forecasts, she provides valuable insights based on technical analysis and supply and demand forecasts. Her consultancy services cater to both enterprises and the Ministry of Environment.

Hyun Shin is the operator of the website <http://www.carbon-i.com>, which serves as a hub for market data and reports. This platform allows stakeholders to access up-to-date information and make informed decisions in the carbon trade exchange. She is also a trainer of the "Korea Study Tour on ETS Design and Implementation" (Seoul- Korea, 28/11-2/12/2022) organized by the Asia Society Policy Institute for government officials from Viet Nam, India, Indonesia, Japan, Malaysia, and Thailand.

- Ms. Nguyen Thi My HOANG, Capacity and Training Expert/ Contract Manager:

Hoang holds a Master of Business Administration from the French-Vietnamese Centre for Management Education and two bachelor's degrees in Environmental Economics and English Language. She has 23 years of experience in professional work in the field of climate change adaptation and mitigation and green growth and is currently the Vice Executive Director at EEI. She has been the key expert and climate change expert for a large number of projects in the energy transition, green cooling, and climate change sectors in Viet Nam. She has accumulated intensive working experience in training and capacity building for stakeholders in Viet Nam regarding climate change mitigation, clean production, energy efficiency, and circular economy. Recently, she has been involved in the assignment titled "Development and delivery of dialogues, training courses on tools

to prioritize adaptation projects for sectors and provinces and tagging, categorizing investments for climate change adaptation”, funded by the Green Climate Fund (GCF). She has developed two handbooks, one with the tool and related guidelines for users to prioritize adaptation projects for sectors and provinces and the other with the tool and related user guide to tag and categorize investments for climate change adaptation. She has also established extensive and enduring working relationships with key stakeholders in Viet Nam, including the Ministry of Finance (MOF), the Ministry of Natural Resources and Environment (MONRE), and other ministries, as well as local authorities. These relationships reflect her ability to be the focal point of the project, coordinating and managing teams of experts, as well as facilitating local stakeholder consultation.

- Mr. Nguyen Viet CAN, Stakeholder Engagement Expert:

Can holds a master’s degree in Climate Change and Development from Viet Nam Japan University. Can has more than 5 years of working experience as a carbon project development and carbon market specialist at GreenCIC. Since 2018, Can has participated in the development of several emission reduction projects in Viet Nam, including renewable energy, energy efficiency, and waste treatment projects. He is familiar with mechanisms/standards in the carbon market such as CDM, VCS, GS, and GCC. Can is involved in the sourcing team and is responsible for engagement with potential partners to discuss project opportunities and contractual agreements for the project development and benefit-sharing mechanism. He has prepared the communication plans and stakeholder engagement plans for the project CS1.5 - Research and Propose Guidance on Credited NAMAs and Develop a Database System for Credited NAMAs. He also organized training workshops under the project National Expert Group on organizing training on facility-level GHG emission accounting and reporting for private companies. Recently, under the Technical Assistance Project on Impact Assessment of EU’s Carbon Border Adjustment Mechanism and Carbon Tax Policies for Viet Nam, he has been the main focal point for liaising with the Department of Multiple Trade Policies, MOIT, and Department of Climate Change, MONRE.

- Mr. Albert de Haan, International CTX operation expert:

Albert is currently serving as an Advisor for China ETS and new products at INCUBEX plc in London, UK. He leads a project development team focused on creating new environmental commodities in the Chinese market. He negotiates development contracts with carbon pilots in Shanghai, Beijing, and Quang Zhou, primarily in the forward market. Additionally, Albert collaborates with ICF China’s ETS-EU ETS working group to develop products with SHEEX for China’s nationwide ETS.

Albert used to work for The World Bank in China as a carbon market and finance expert. He served as a personal advisor to the head of China PMR within the World Bank’s Partnership for Market Readiness (PMR), providing advisory services on the design and governance of China’s carbon market. Albert also played a key role in improving the design and functioning of China’s ETS pilot projects and participated in consultations with Chinese government bodies for the development of the national ETS rulebook.

Albert’s expertise extends to his previous positions as an External Carbon Advisor at European Energy Exchange AG in Leipzig, Germany, where he facilitated cross-border

carbon trading mechanisms. As a co-founder and Commercial Director of the European Climate Exchange (ECX), Albert was responsible for ensuring compliance with regulations and market standards. He built strong partnerships, identified market opportunities, and advocated for the expansion of the EU ETS while integrating new participants into the market.

Based on the profile and the assigned role of the experts in the proposal, the detailed tasks and responsibilities of the experts are as follows:

Table 7: Tasks and Responsibilities of Key Personnel in the Assignment

Name and Nationality	Role in the Assignment	Tasks and Responsibilities in the Assignment
Pham Phan DUNG Vietnamese (EEI)	Team Leader/ CTX national legal expert	<ul style="list-style-type: none"> • Lead and provide direction for the whole Assignment, as well as Task 4 and Task 5; • Contribute to the capacity need assessment and plan for a carbon market master class; • Review and assess the legal framework of Viet Nam related to the CTX; • Analyze legal gaps and provide solutions; • Develop an implementation roadmap for the CTX; • Develop proposal and workshop materials, organize consultation meetings and workshops; • Review deliverables and provide additional inputs if necessary.
RUSSELL Quek Kai Zhi Singaporean (sub-contract)	CTX legal expert	<ul style="list-style-type: none"> • Provide desk review, detailed review, and analysis of the legal aspect of international CTX, including EU-ETS, UK-ETS, NZ-ETS, etc., and identify key takeaways for Viet Nam based on the international experiences; • Contribute to legal gaps analysis and provide solutions; • Contribute to workshop materials and participate in workshops; • Review deliverables and provide additional inputs if necessary.
Nguyen Hong LOAN Vietnamese (GreenCIC)	CTX institutional expert	<ul style="list-style-type: none"> • Contribute to the capacity need assessment and plan for a carbon market master class; • Develop an outline and compile inputs for Task 4; • Provide desk review, detailed review, and analysis of the institutional aspect of international CTX, including EU-ETS, UK-ETS, NZ-ETS, etc., and identify

		<p>key takeaways for Viet Nam based on the international experiences;</p> <ul style="list-style-type: none"> Analyze institutional gaps and provide solutions; Develop an implementation roadmap for the CTX; Develop workshop materials and participate in consultation meetings and workshops; Review deliverables and provide additional inputs if necessary.
<p>HYUN SHIN Park Korean (Ecoeye)</p>	<p>ETS design expert</p>	<ul style="list-style-type: none"> Lead, develop an outline, and compile inputs for Task 3; Contribute to the capacity need assessment and plan for a carbon market master class; Provide desk review, detailed review, and analysis of the KRX on all aspects (legal, institutional, and infrastructure), and identify key takeaways for Viet Nam based on international experiences; Contribute to legal gaps analysis and provide solutions; Develop workshop materials and participate in consultation meetings and workshops; Review deliverables and provide additional inputs if necessary.
<p>Nguyen Thi My HOANG Vietnamese (EEI)</p>	<p>Capacity training expert/ Contract manager</p>	<ul style="list-style-type: none"> Coordinate with implementing partners and the Client regarding contract issues; Develop the capacity need assessment and plan for a carbon market master class; Contribute to workshop materials and participate in workshops; Review deliverables and provide additional inputs if necessary.
<p>Nguyen Viet CAN Vietnamese (GreenCIC)</p>	<p>Stakeholder engagement expert</p>	<ul style="list-style-type: none"> Coordinate and engage with stakeholders; Conduct capacity needs assessment; Contribute to the plan for a carbon market master class; Organize and prepare for workshops.
<p>ALBERT de Haan Dutch (Sub-contract)</p>	<p>CTX operation expert</p>	<ul style="list-style-type: none"> Contribute to the capacity need assessment and plan for a carbon market master class; Provide desk review, detailed review, and analysis of the infrastructure aspect of international CTX, including EU-ETS, UK-ETS, NZ-ETS, etc., and identify

		<p>key takeaways for Viet Nam based on the international experiences;</p> <ul style="list-style-type: none"> Analyze infrastructure gaps analysis and provide solutions; Develop workshop materials and participate in consultation meetings and workshops; Review deliverables and provide additional inputs if necessary.
<p>Nguyen Thi Bich NGOC Vietnamese (EEI)</p>	<p>Admin & Finance</p>	<ul style="list-style-type: none"> Be responsible for administrative and financial procedures as well as other relevant issues; Develop a financial plan and financial report for the project; Prepare payment request and relevant documents; Take charge of logistics for the project.
<p>Pham Phuong LINH (GreenCIC)</p>	<p>Technical Support</p>	<ul style="list-style-type: none"> Conduct capacity needs assessment; Support desk review and detailed review of national context and international experiences related to the CTX; Assist in compiling inputs and deliverable finalization; Assist in meeting and workshop organizations; Support other technical issues.

II.8. Risks, mitigations, and assumptions

During the proposal stage, possible risks related to the assignment and strategies for their mitigation or resolution, if necessary, have been identified as detailed in the table below. Regular meetings throughout the assignment facilitate early problem detection, and the Team Leader and QA/QC lead will engage, if necessary, in collaboration with the client, to determine the optimal solution. Colleagues possessing relevant expertise will subsequently participate in resolving and addressing the identified issue.

Table 8: Possible risks related to the Assignment and strategies for their mitigation or resolution

Risk	Impact	Mitigation Strategy
Insufficient engagement by stakeholders	Significant - overall objectives	The Team Leader and Stakeholder Engagement Expert will manage the stakeholder engagement process and proactively secure their commitment. The Consultant will collaborate with the Client to ensure the early involvement of relevant stakeholders and a sustained

Risk	Impact	Mitigation Strategy
		level of engagement and commitment during the implementation of the Assignment.
Timely availability of information	Significant - delivery to timescales	To ensure the prompt provision of necessary information, it is essential to secure the commitment of relevant authorities beforehand by MOF as an integral part of the Assignment. Furthermore, the Consultant can leverage its network of contacts from previous projects to ensure that the right inquiries are directed to the appropriate departments, facilitating the acquisition of essential information. In situations where data and information might be lacking, the Consultant is adept at identifying suitable alternatives to bridge any gaps.
Delays or unavailability for the organization of workshops	Significant - delivery to timescales	Workshop planning will be initiated by the Consultant at the earliest stages of the Assignment. Leveraging significant experience in workshop coordination, the Consultant employs dedicated tools and skills to ensure seamless event management. Additionally, the Consultant excels in quick responsiveness and is adept at working effectively within compressed timelines, as needed.
Participants lack the necessary knowledge and confidence to actively contribute to consultation meetings and workshops	Medium - quality of outputs	Utilizing previous experience, the Consultant can thoroughly select proper participants and customize the workshops to bolster participants' skills and self-assurance. To build up participants' confidence and abilities, the Consultant will offer timely and relevant support and guidance throughout the process.
Delays in comments/ feedback on deliverables	Significant - delivery to timescales	The Assignment plan will account for possible delays by including contingency measures. The Consultant will promptly identify and communicate any crucial dependencies or timing issues before seeking feedback.

During project implementation, other issues could influence the outcomes and schedule of the Assignment. Based on experience from similar projects implemented in Viet Nam,

the Consultant has identified possible risks and a strategy to anticipate, mitigate, and manage those risks effectively and seamlessly.

We will flag any identified project risks early to the Client and agree on a strategy to mitigate, i.e., escalating where fast-tracking an activity is needed, identifying additional resources needed to meet unexpected requirements, such as, for example, poor stakeholder participation impacting timescales.

The Consultant proposes a work plan for the Assignment in section IV above, which is agreed upon by all implementing partners to keep the team informed of the timeline and to track progress. The work plan includes a monthly timeline of activities, deliverables, and key dates (holidays and due dates of deliverables).

In addition, the Consultant follows a strict and efficient quality assurance procedure with specific roles and responsibilities for the Consultant team members for quality assurance. For each activity and deliverable, we set internal deadlines to allow enough time for QA/QC while ensuring submitting the reports to the Client on time.

First, the Task Leads will be responsible for the task outline and discussion with team members to make sure the report will contain all necessary contents as required in the ToR, as well as collecting and compiling all inputs from the team members. Then, the report will be reviewed by a QA/QC Lead, who is in charge of overall project QA/QC and oversight issues arising from project implementation, as well as keeping track of progress together with the Contract Manager. By following these quality assurance procedures, the QA/QC lead can help to ensure that the study is conducted in a way that meets the highest standards of quality. Moreover, the project will be implemented in consultation with all stakeholders to guarantee that the project outputs meet the needs of everyone involved.

Table 9: The specific responsibilities of the Task Lead and QA/QC Lead

No.	Task and Deliverable	Person in Charge	
		Task Lead	QA/QC Lead
Taks 0	Project management	EEl	GreenCIC
PHASE 1	PREPARATION	GreenCIC	EEl
Task 1	Inception Report and Project Work Plan	GreenCIC	EEl
<i>D.1</i>	<i>Draft Inception Report</i>	GreenCIC	EEl
Task 2	Inception Workshop	GreenCIC	EEl
<i>D2.1</i>	<i>Minutes of Inception Workshop</i>	GreenCIC	EEl
<i>D2.2</i>	<i>Final Inception Report</i>	GreenCIC	EEl
PHASE 2	IMPLEMENTATION	GreenCIC	EEl
Task 3	Review of International Experiences and Assessment of Legal, Institutional, and Infrastructure Requirements for the Establishment and Operation of the CTX	Ecoeye	GreenCIC
<i>D.3</i>	<i>Review of International Experience and Assessment of Legal, Institutional, and</i>	Ecoeye	GreenCIC

	<i>Infrastructure Requirements for the Establishment and Operation of the CTX</i>		
Task 4	Review of the National Context and Assessment of Existing Relevant Regulations, Institutions, and Infrastructure for the Establishment and Operation of the CTX	EEI	GreenCIC
<i>D.4</i>	<i>National Context and Assessment of Existing Relevant Regulations, Institutions, and Infrastructure for the Establishment and Operation of the CTX</i>	EEI	GreenCIC
Task 5	Analysis of Legal, Institutional, and Infrastructure Gaps for Establishment and Operation of CTX in Viet Nam and Recommended Solutions based on International Experience and the Country's Context	EEI	GreenCIC
<i>D5.1</i>	<i>Analysis of Legal, Institutional, and Infrastructure Gaps for Establishment and Operation of CTX in Viet Nam and Recommended Solutions based on International Experience and the Country's Context</i>	EEI	GreenCIC
<i>D.5.2</i>	<i>Draft Milestone 2 Report</i>	EEI	GreenCIC
<i>D.5.3</i>	<i>Milestone 2 Report</i>	EEI	GreenCIC
PHASE 3	COMPLETION		
Task 6	Stakeholder Engagement and Consultation	GreenCIC	EEI
<i>D.6.1</i>	<i>Minutes of Stakeholders' Consultation Meetings</i>	GreenCIC	EEI
<i>D.6.2</i>	<i>Minutes of Stakeholders' Consultation Workshop</i>	GreenCIC	EEI
Task 7	Plan for a Carbon Market Master Class for Government Officials to Learn and Exchange Governance Knowledge and Experience of CTX	GreenCIC	EEI
<i>D.7</i>	<i>Plan for a Carbon Market Master Class for Government Officials to Learn and Exchange Governance Knowledge and Experience of CTX</i>	GreenCIC	EEI
Task 8	Final Report and Final Workshop	GreenCIC	EEI
<i>D.8.1</i>	<i>Draft Final Report</i>	GreenCIC	EEI
<i>D.8.2</i>	<i>Minutes of Final Workshop</i>	GreenCIC	EEI
<i>D.8.3</i>	<i>Final Report</i>	GreenCIC	EEI

II.9. ETP Result-based Monitoring Framework (RBMF)

The ETP RBMF is a standardized framework that helps in monitoring results, indicating how the project contributes towards relevant ETP's strategic outcomes, which are Strengthened renewable energy and energy efficiency policy enabling environment and

Increased development of and accessibility to RE/EE knowledge. The following table is the RBMF to monitor the results of the project. The exact RBMF template for the project is provided and updated by ETP’s RBMF advisors – Accenture Development Partnerships (ADP). The Consultant will track the project’s RBMF progress and update it every quarter within the timeline of the Project. The Consultant will document the project progress, including reports, engagement with relevant stakeholders, and organization of workshops to ensure the RBMF is properly updated and more importantly, all ETP outcomes are reached. The updated RBMF is submitted to ADP every quarter and included in all milestone reports.

Table 10: Monitoring and Evaluation Framework for this Project

ETP Outcome	Project Output(s)	Indicator	Target	Data Source and Means of Verification
<p>Impact: Contributions to meet the Paris Climate Goals expressed in Vietnam’s Nationally Determined Contribution of 43.6% GHG reduction against BAU by 2030, JETP targets with peak emissions of 170MtCO₂e and 240MtCO₂e by 2030 and 2035 respectively and Energy Efficiency and energy saving of 7% against BAU by 2030.</p> <ul style="list-style-type: none"> Disincentivize carbon production in Vietnam and support with the development of Vietnam’s uptake of The Paris Agreement’s Article 6 Establishment of a well functioning carbon market and carbon trade exchange, thus aligning the country’s policy with its climate commitments and achieving NDC targets The Ministry of Finance is provided with a comprehensive of policy gaps analysis, recommendations and a roadmap to realise an enabling legal framework for the carbon trade exchange operation and its effective and efficient financial management mechanism Legal framework for the carbon market management, operation and monitoring is in place by the end of 2025 and the market is ready for a 2-year trial operation period. <p>Long-Term Outcome: Externality cost built into large pollution sources, forcing a change in BAU practices and thus resulting in a reduction of GHGs</p>				
ETP Pillar 1: Strengthened RE and EE policy enabling environment	Output 1: Legal gaps review and policy recommendations	Indicator 1: # recommendations for establishment of a carbon market and its operation and management	Target 1: 1 policy recommendation.	Project Documentation and MOF’s adoption of the roadmap.
ETP Pillar 4: Increased development of and accessibility	Output 2: CTX Policy recommendations workshop	Indicator 2: # of participants from ministries	Target 2: 70	Project Documentation, Attendee lists.

The Second Milestone report, which includes reviews and analysis of national context and international experiences relevant to the establishment and operation of the CTX, as well as analysis of legal, institutional, and infrastructure gaps and recommendations on the implementation roadmap for the CTX will serve towards the first ETP pillar. All three workshops will contribute to ETP Pillar 4.

The first RBMF has been done for the third quarter of 2023 (August to October) and is attached in Appendix 3.

III. TASK 2: INCEPTION WORKSHOP

III.1. Inception Workshop

The objective of the Inception Workshop is to raise awareness of the development of the CTX in Vietnam and provide an overview of international experiences related to the CTX. It also aims to understand the concerns and interests of the stakeholders regarding the CTX and collect their comments on the proposed approach and methodology for the implementation of the Assignment. Through the event, it is expected that they will actively engage in and provide support for the implementation of the Assignment.

III.1.1. Workshop preparation

The Inception Workshop Proposal was submitted to ETP on 01 September 2023. As the Workshop would be hosted by MOF, it was required to send workshop proposals and supporting documents to relevant ministerial agencies, including the Ministry of Public Security for comments and organization permission. The workshop obtained permission to organize on 16 October 2023.

In parallel with the permission process, the Consultant developed workshop materials and proactively prepared for the logistics, such as participant list, venue, and interpretation.

III.1.2. Workshop organization

Upon approval for workshop organization, MOF issued the invitation letters and worked with the Consultant to send the invitation to the stakeholders via post and email. The invitation letters were followed up by phone calls to increase the participation rate. The Inception Workshop was organized on 19 October 2023. The Workshop attracted 72 offline participants and 50 online participants.

The main contents of the Workshop include:

- Introduction of this Project;
- Updates on the background and the roadmap for the establishment and operation of the carbon market and the CTX in Vietnam;
- Discussion on the international experiences in the establishments and operation of the carbon market and the CTX in South Korea, the European Union, and the United Kingdom, and implications for Viet Nam.

Key discussions during the Inception Workshop involved questions from a business perspective and a governmental management agency perspective on the experiences in the operation and development of Korea's Emission Market and CTX. Regarding the business perspective, enterprises had questions about the differences between various carbon products, the trading mechanisms of allowances, and carbon credits. Regarding the governmental management agency perspective, the representative of MOF was interested in the monitoring, management, and setup of the CTX. In general, the workshop successfully engaged stakeholders in the implementation of the Assignment and provided useful information and clarifications to stakeholders on the carbon market

and the CTX. It will facilitate stakeholder consultation in the next stage of the Assignment. Minutes of the Inception Workshop can be found in Appendix 4.

III.2. Final Inception Report

Based on the comment matrix from ETP and the results of the Inception Workshop, the Consultant has developed the First Milestone Report, incorporating the contents of the Inception Report as required in the Term of References and updating the organization of the Inception Workshop. This Report will be submitted to the Client for approval.

This final First Milestone Report will be the basis for all activities to be later implemented under the Assignment. It will serve as a roadmap for the project's implementation and ensure effective coordination and communication among stakeholders.

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APPENDICES

Appendix 1: Kick-off Project Meeting Minutes

20230810 – Assessment of Country's Readiness and International Experience for Carbon Trade Exchange Design - Minutes of project kick-off meeting with ETP

I. BACKGROUND

1. Objectives:

- To introduce members of the Consortium from the Consultant and ETP team
- To give an overview of the assignment
- To discuss and get consensus about issues related to the project

2. Place: Online via Google meeting

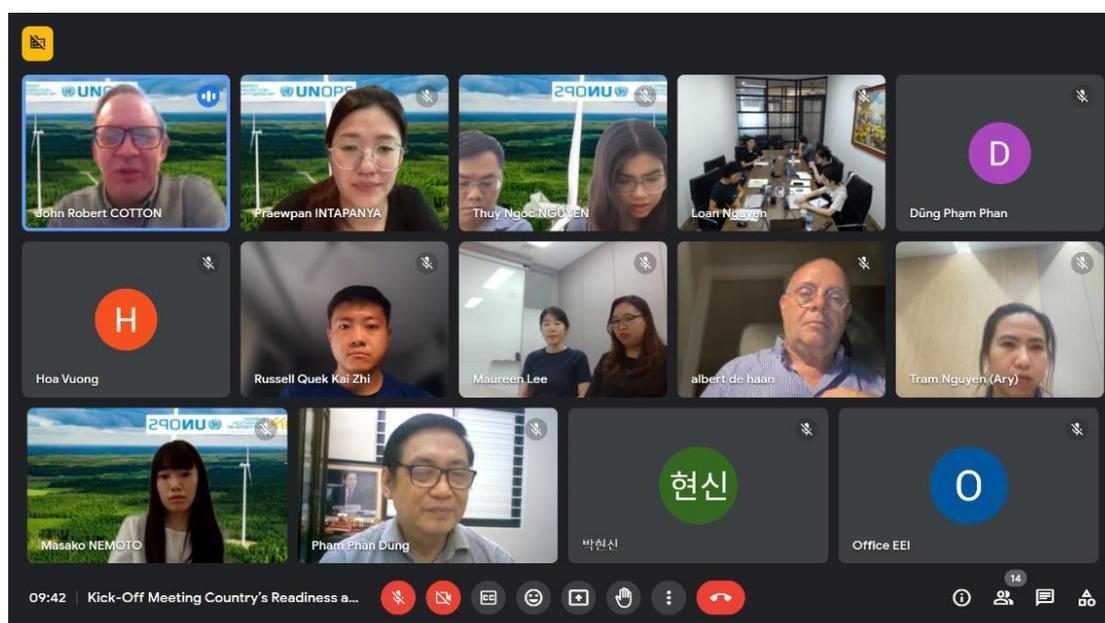
3. Time: 9 AM – 10 AM (ICT), 10 August 2023

II. PARTICIPANTS

1. ETP team: John Robert Cotton, Masako Nemoto, Praewpan Intapanya, Do Manh Toan, Nguyen Ngoc Thuy

2. Consultant team:

- Team Lead and CTX expert: Pham Phan Dung
- GreenCIC team: Nguyen Hong Loan, Pham Phuong Linh, Nguyen Viet Can
- Ecoeye team: Hyun Shin Park, Maureen Lee, Tram Nguyen
- International experts: Russell Quek Kai Zhi, Albert De Haan



Picture: Participants joined the meeting via Google meeting

III. AGENDA

1. Introduction from the ETP team and Consultant team

2. Overview of the project, team management structure, and general approach for implementation of the project

3. Discussion and Conclusion

IV. CONTENTS

1. Members of the ETP team and Consultant team take turns introducing themselves and their roles and responsibilities under the project

2. Ms. Loan from GreenCIC presented the overview of the assignment, the timeline, team management structure, and specific tasks in the preparation phase, implementation phase, and completion phase

3. Discussions:

3.1. Mr. Toan – ETP: Regarding Task 7 "Plan for a carbon market master class for government officials to learn and exchange governance knowledge and experience of CTX," the UK government aims to organize the master class before November. Therefore, the project team should promptly design the plan. Thus, Task 7 should be implemented in parallel in the preparation phase, and the Consultants team should implement consultation activities with the Ministry of Finance (MOF) to identify their requirements and needs for establishing and operating the CTX, to have a background and information to design the master class → Consultant team reached an agreement to integrate Task 7 with other preparation phase tasks and will provide ETP with a revised timeline. GreenCIC will also arrange a meeting with MOF, involving ETP and Mr. Pham Phan Dung, to present the project.

3.2. Ms. Praewpan – ETP: The project is monitored by a log frame (Result-based Monitoring Framework – RMBF). ETP will share the template with the Consultant team for review. The consultant team is requested to attach the template to the Inception report and update the log frame after each milestone submission.

3.3. Mr. John – ETP:

- When receiving each deliverable, ETP will send comment metrics and feedback after 10 days

- All reports will be published and shared with a wide range of audiences, including relevant authorities, wider stakeholder communities, and external communications. So please take that into account when developing the reports.

- Every deliverable has to include a clear and understandable introduction and executive summary, including key activities, key learnings, key outcomes, and key recommendations. The executive summary should not be longer than 2 pages.

- The Inception Report should:

- Provide a clear and well-aligned work plan, closely reflecting the project proposal
- Include a Gantt Chart that outlines the project timeline, highlighting any adjustments

- Elaborate on the project's execution strategy and outline the steps to achieve key deliverables
 - Develop a robust and comprehensive communication and outreach plan
 - Ensure the grammatical and spelling correct
- The focal point for this project from ETP is Toan, and Praewpan is in charge of non-technical support.

Appendix 2: Consultation Meeting Minutes

20230814 – Assessment of Country's Readiness and International Experience for Carbon Trade Exchange Design - Consultation Meeting Minutes with MOF

I. BACKGROUND

1. Place

- Onsite: Room 621, Ministry of Finance, 28 Tran Hung Dao Str., Hoan Kiem, Ha Noi
- Online: Google Meet

2. Time: 15h30 – 17h30 (ICT), August 14, 2023

II. PARTICIPANTS

1. Department of Legal Affairs, MOF
2. ETP team: Do Manh Toan, Nguyen Ngoc Thuy
3. Consultant team:
 - Team Lead and CTX expert: Pham Phan Dung
 - Green CIC: Nguyen Hong Loan, Pham Phuong Linh
 - Ecoeye team: Tram Nguyen
 - International experts: Albert De Haan



Picture: Participants in the consultation meeting

III. CONTENTS

1. The Consultant team presented to MOF the overview of the assignment, the timeline, team management structure, and specific tasks in the preparation phase, implementation phase, and completion phase

2. MOF and the Consultant team discussed the experience in the establishment and operation of CTX and carbon markets in Korea and the EU

2.1. The experience in the establishment and operation of CTX and carbon markets in Korea

- There are three types of trading units: Korea Allowance Unit (KAU), Korea Offset Credit (KOC), Korea Credit Unit (KCU)

- To engage in market trading, the participant must hold either a KAU, KCU, or KOC.

- Participation in overseas projects generating offset credits necessitates involvement from Korean investors.

- Key buyers include: (i) Entities with allocated allowances, (ii) Environmental firms seeking profit through offset credit trading, (iii) Government-approved market makers, and (iv) securities companies

- Bilateral trading between buyers and sellers in the KRX is overseen by the KRX. OTC trading remains unregulated.

- Regulated allowances and KCU have a one-year term aligned with fiscal years, whereas KOC allowances may span 2-3 years.

2.1. The experience in the establishment and operation of CTX and carbon markets in the EU

- Auctioning processes can take place within trading platforms spanning various EU countries, intricately linked together

- The market is managed through holding accounts and the allocation of allowances

3. MOF, the Consultant team, and ETP get a consensus on the Assignment:

- The assignment timeline needs to conclude in December 2023 instead of the previously scheduled date of January 2024

- The final workshop should take place no later than December 20, 2023

- MOF is willing to facilitate connections with the State Security Commission of Viet Nam and Viet Nam Securities Depository to support the Consultant in reviewing the national context and assessment of existing relevant regulations, institutions, and infrastructure for the establishment and operation of the CTX

- Regarding Task 7 "Plan for a carbon market master class for government officials to learn and exchange governance knowledge and experience of CTX":

- A comprehensive assessment of the demand and capacity of government authorities in carbon markets and CTX needs to be conducted soon and the plan should be sent to the UK on September 15, 2023
- According to ETP's mechanisms, the funding for the study tour is exclusively available to government authorities. State-owned enterprises can participate at their own expense.

Appendix 3: ETP RBMF – Carbon Trade Exchange Design

ETP Pillars	Result(s)	Description	Indicator Number	Program Indicator(s)	Project-level Indicator	Target	Planned Completion Date	FY23 Q3		FY23 Q4	
								Achievement (Numeric input)	Achievement (comment)	Achievement (Numeric input)	Achievement (comment)
Policy alignment with climate commitments	Intermediate Outcome (By 2030)	1. Strengthened RE and EE policy enabling environment	IN 1-01	No. of new/revised RE and EE policies, laws, regulations, and/or technical standards endorsed and adopted by the national government in coordination with relevant institutions							
	Short-Term Outcome (By 2025)	1.2 National Fiscal policies, regulations, and Investment policies have undergone reforms to create an Investment Climate that is conducive to investment flow into RE/EE and improves its energy transition readiness for capital and investments	IN 1.2-01	No. of RE and EE related Financing Frameworks and Fiscal reforms developed and presented to the government entities	Recommendations for establishment of a carbon market and its operation and management	1	Q1/FY24				
			IN 1.2-02	No. of Fiscal policy adjustments, Investment framework instruments, established and enacted by the government entities							
Knowledge and Awareness Building	Intermediate Outcome (By 2030)	4. Increased development of and accessibility to RE/EE knowledge	IN 4-01	Targeted audiences indicate improved knowledge about EE/RE and the ability to sustain Energy Transition efforts							
	Short-Term Outcome (By 2025)	4.1. Stakeholders (relevant Government entities, Public sector companies, Financial institutions, Private entities, Academia, and Consumers) involved in the RE/EE value chain, are knowledgeable and better informed to advance the energy transition agenda	IN 4.1-01	No. of studies, research, new evidence gathered and published, for raising awareness, improving knowledge base, driving decisions, and dissemination	Report on Assessment of Country's Readiness and International Experience for Carbon Trade Exchange Design Comprising of i) Review of the national context and assessment of existing relevant regulations, institutions and infrastructure for establishment and operation of the CTX ii) Analysis of legal, institutional and infrastructure gaps for establishment and operation of CTX in Vietnam and recommended solutions based on international experience and the country's context.	1	Q1/FY24 (i) & (ii) - Q4/FY23				
			IN 4.1-02	No. of trainings, knowledge sharing events, and/or awareness workshops organized at national and regional levels building institutional capacity and knowledge networks	Inception workshop	1	Q3/FY23	0	Delayed to Q4/FY23	1	The Inception Workshop was organized on 19 Oct 2023
			IN 4.1-02 A	Total no. of attendees	Total no. of attendees		Q3/FY23				72
			IN 4.1-02 B	Total no. of female attendees	Total no. of female attendees	50% female attendees	Q3/FY23				37

			IN 4.1-02	No. of trainings, knowledge sharing events, and/or awareness workshops organized at national and regional levels building institutional capacity and knowledge networks	Consultation workshop	1	1st workshop - Q4/FY23 2nd workshop - Q1/FY24				
			IN 4.1-02 A	Total no. of attendees	Total no. of attendees	70 per workshop	Q4/FY23				
			IN 4.1-02 B	Total no. of female attendees	Total no. of female attendees	50% female attendees	Q4/FY23				
			IN 4.1-02	No. of trainings, knowledge sharing events, and/or awareness workshops organized at national and regional levels building institutional capacity and knowledge networks	Carbon Market Masterclass	1	Q1/FY24				
			IN 4.1-02 A	Total no. of attendees	Total no. of attendees	20	Q1/FY24				
			IN 4.1-02 B	Total no. of female attendees	Total no. of female attendees	50% female attendees	Q1/FY24				
			IN 4.1-03	No. of articles, press releases on social media, and mass media, for outreach releases on social media, and mass media, for outreach							
			IN 4.1-04	Total no. of entities supported through Technical Assistance							
Share 3 high resolution photographs that are key to the project and add a description					Inception Workshop group photo https://drive.google.com/file/d/1uTjP8fh4y6SZMRTTkRoUWP9JhwxeKJsv/view?usp=sharing						
					photo 2 Link + Description						
					photo 3 Link + Description						

Appendix 4: Inception Workshop Minutes

I. BACKGROUND

The Inception Workshop: Assessment of Country's Readiness and International Experience for Carbon Trade Exchange Design was organized by the Southeast Asia Energy Transition Partnership and consultant team of the Technical Assistance, in close collaboration with the Department of Legal Affairs (DLA), Ministry of Finance (MOF).

1. Aims

To introduce the Assignment; to update about the background and roadmap for the establishment and operation of the carbon market and carbon trade exchange (CTX) in Vietnam; to discuss international experience in the establishment and operation of the carbon market and CTX of the EU, the United Kingdom, and Korea, and implications for Vietnam.

2. Place and Time

- Address: Ballroom, The Ann Hotel, 38A Hang Chuoi St., Pham Dinh Ho, Hai Ba Trung, Hanoi.
- Online: Zoom
- Time: 14:00 – 17:00 (ICT), 19/10/2023
- Presentation slides and related information about the workshop can be found at the link below:
<https://drive.google.com/drive/folders/1qTRLYjhXVs7ZKIEZFd9H44593qKvfFEe>

II. PARTICIPANTS

1. All participants:

- Onsite participants: 72
- Online participants: 50

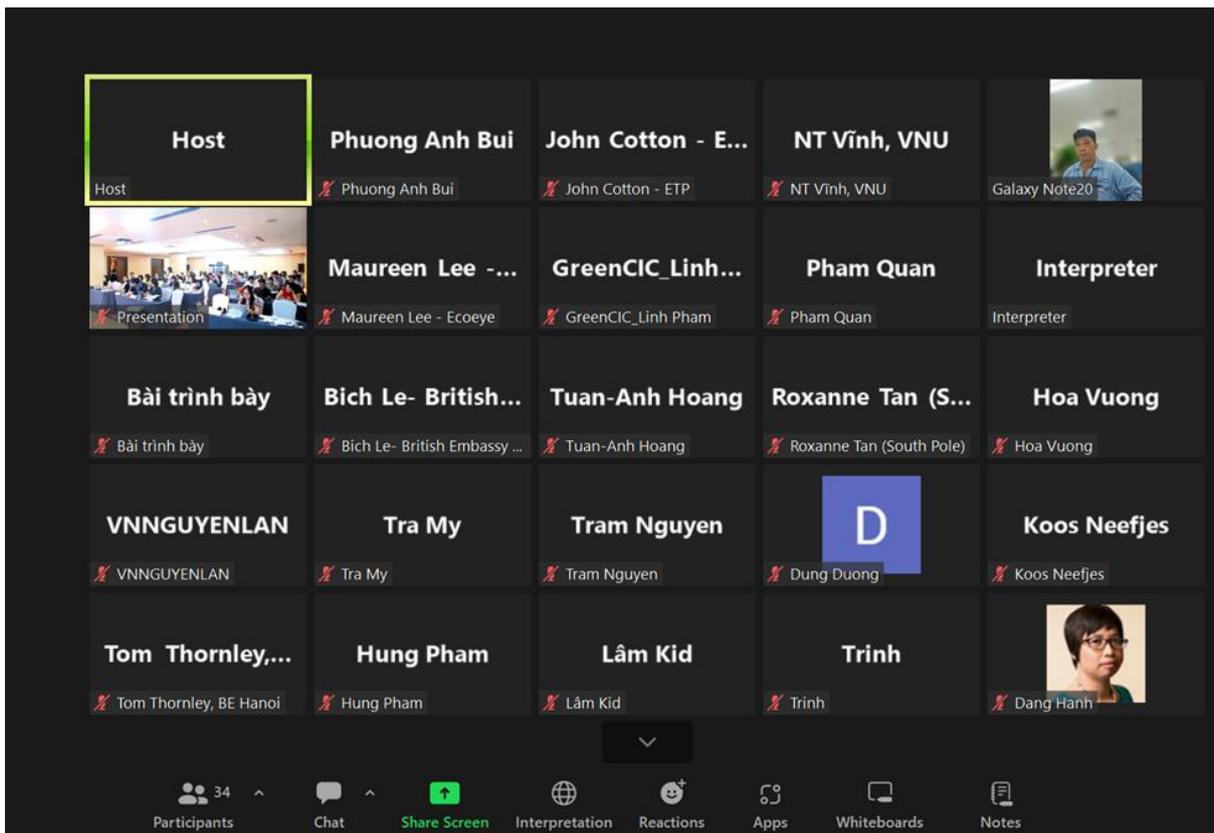
2. Honored participants:

- **MOF:** Ho Thi Hang, Deputy Director of the Department of Legal Affairs
- **ETP – UNOPS:** Do Manh Toan, Country Program Coordinator in Viet Nam

Important stakeholders include participants from ETP-UNOPS, MOF (DLA, Department of Tax Policy, Department of Banking and Financial Institutions, SSC), Ministry of Natural Resources and Environment (MONRE), Ministry of Construction (MOC), VCCI, VBCSD-VCCI, international organization enterprises, financial institutions and banks, and other relevant stakeholders.



Picture: Group photo at the Inception Workshop



Picture: Online participants of the Inception Workshop

3. Members of the Consultant:

- **EI:** Nguyen My Hoang
- **GreenCIC:** Nguyen Hong Loan, Pham Phuong Linh, Nguyen Viet Can, Pham Thuy Linh
- **Online participation:** Albert de Haan, Maureen Lee (Ecoeye)

III. AGENDA

Time	Activity	Presented by
13:30 – 14:00	Registration for workshop	The Consultant
14:00 – 14:10	Opening Remarks	<ul style="list-style-type: none">• Representative of MOF• Representative of ETP
14:10 – 14:30	Overview of Vietnam’s context and the roadmap for the establishment and operation of the carbon market and CTX	Representative of MOF
14:30 – 14:50	Introduce the Assignment	Ms. Nguyen Hong Loan - GreenCIC, the Consultant
14:50 – 15:10	Q&A session	All participants
15:10 – 15:30	Photo session & Tea break	All participants
15:30 – 16:00	Experience from the establishment and operation of the EU and UK and implications for Vietnam	Mr. Albert de Haan, the Consultant
16:00 – 16:30	Experience from the establishment and operation of the Korea Carbon Exchange and implications for Vietnam	Ms. Maureen Lee - Ecoeye, the Consultant
16:30 – 16:50	Plenary discussion	All participants
16:50 – 17:00	Wrap-up and closing remarks	<ul style="list-style-type: none">• Representative of MOF• Representative of ETP

IV. CONTENTS

1. Opening remarks

- **Ms. Ho Thi Hang – Deputy Head of DLA – MOF** made an opening remark by introducing the situation of Viet Nam in the context of global climate change, the international commitments are discussed and engaged aiming for reducing GHG emissions, net zero target, and green growth. The remark also includes a briefing about the Technical Assistance, providing the background for the inception workshop.
- **Mr. John Robert Cotton – Senior Program Manager of ETP** made an opening by introducing the ETP, its activities in Vietnam in general, and the Technical Assistance in particular. He emphasized the purpose of the Assignment is to raise awareness, and capacity for assessment of the current legal status in Vietnam; and the importance of close collaboration and commitment between related parties, in order to design the carbon market and CTX in Vietnam efficiently.

2. Presentations

Ms. To Nguyen Cam Anh – Head of International Financial Regulation Division – DLA: Background, roadmap for establishment and operation of the carbon market and carbon trade Exchange in Vietnam

The presentation focused on four main points:

- International and national circumstances
- Guidelines, policies, and regulations: including policies of the Vietnamese Communist Party, International commitments, National strategies and Action plans, Government action programs, and Regulations.
- Establishment and development of the carbon market in Vietnam: including market model, tasks, solutions, and implementing organization.
- Roadmap for establishment and operation of carbon market and CTX in Vietnam

Ms. Nguyen Hong Loan – GreenCIC: Introduction of the Technical Assistance: Assessment of Country's Readiness and International Experience for Carbon Trade Exchange Design

The presentation focused on these main points below:

- Introduction of the Assignment: Implementation team, objectives
- Project management and timeline
- Approach and general methodology

Ms. Maureen Lee – Ecoeye: Korea's Emission Market and CTX

The presentation focused on three main points:

- Overview of the Korean market and CTX: definition of the ETS, background of Korean emission market, laws and guidelines related to the ETS, emission market operating institutions, and participants

- Overview of Korean emission trading scheme (KRX): Emission trading flow, KRX roles and responsibilities, KRX membership system, introduction to KRX emission market.

3. Q&A/Discussion

Name	Question/comment	Initial response from the Consultant team
Ms. Nguyen Van Nga - Vietcombank	<p>1. About the slide emission trading flow: In this flow, I can understand this is the flow for allowance, does this trading flow also apply to carbon credit units mentioned in the next slide?</p> <p>2. In the slide about products: there are 5 types of products here. Could you explain in more detail why Korea has to separate into KCU and KOC? How can your Emissions Register (GIR) manage international credit units? How can you identify the owner of the international credit units? Thank you!</p>	<p>1. Yes, the trading flow for carbon credit is similar, except for the first step, the first step is only for the allowance, so it is not included in the carbon credit trading flow. Regarding carbon credit, the government must approve the carbon credits that should be used, which are then registered at the GIR, and then traded in the KRX.</p> <p>2. There is a clear boundary between those offsets that are coming from, for example, the CDM registry, those can only be traded for compliance, so the Government decided to separate different offset and credit units. We have different validities for offset: KOC is non-ETS applying offset, and this offset is valid for 5 years. For example, if you buy a 2021 offset, it will expire in 2026, but if you buy KCU 2021, it expires the same year, which is only valid for 1 year. So, if you want offsets for future use, you can buy more KOC. If you want 1 year for compliance this year, you can directly buy KCU.</p> <p>For international carbon credit, the government has an instrument to record data of carbon credit, they have a register number or unique number assigned to each carbon credit for the registry to identify which offset is from international. It is important for the Vietnamese government to find possible ways to record all allowances and credit for everything that</p>

		<p>can be traded, every movement is monitored.</p> <p>Ms. Loan, GreenCIC: In Korea, they specify which products on the trading are obligately or voluntarily applied.</p>
<p>Ms. Dang Mai Khanh - BIDV</p>	<ol style="list-style-type: none"> 1. For the carbon products, what is the life cycle of allowance and emission products since it was made? If I am an enterprise, if I successfully auction for more allowances or still have free allowances, or if I use technology to reduce the emissions, will the government give me credits? Are they still valid next year or do the allowances renew every year? 2. Does K-ETS link to any other international ETS? 3. What are the requirements that Korean management agencies have for each object/party who joins the market to report or monitor? Which agency do they need to report to the Ministry of Environment? 4. I've looked at the very different trends of K-ETS from 2015 - 2022. Until 2019, the trend was increasing significantly, but during the period 	<ol style="list-style-type: none"> 1. For allowances, the life cycle is only a year, they are only valid for 1 year. If a company has surplus allowances or credits, they can either sell to the market or carry them over only for the next year. But even if they carry to the next year, they cannot carry the whole amount but a limit which is 3 times their annual net sales. That means if they want to carry over allowance to the market, they have to sell something, if they don't sell, they don't have net sale, they don't have anything. Those that are not carried, or not sold will be canceled by the Government. 2. We don't have any links with other ETS. It is very difficult to link between ETS due to the price differences. Even in the EU, the EU ETS and Switzerland ETS have tried to link but it takes a very long time, even a few years to finalize, they have to harmonize the different prices because it will affect the economy. So, we don't have any link now and I don't think we will have it in the near future. 3. All required paperwork should be submitted to the Ministry of Energy (MOE) - the focal agency of the market. Whether you are from any entity in the ETS, you have to submit to MOE. However, in the ETS, trading is regulated by the Ministry of Finance (MOF), and non-trading issues are monitored by the Ministry of Environment.

	<p>2020-2021, it observed a big decline due to COVID-19, there was no trade, and no emissions needs. Can you explain the factors that affect the ETS? The need to emit is related to the needs of production. Why is the supply dramatically increasing in 2022?</p>	<p>4. In the first few years, companies would rather keep the carbon credits for themselves than sell them in the market. When the pandemic came, the effect on the economy was so big, and the decline of production was so steep which led to a big decline in emissions. The companies already received 5 years allowance allocation for 2021-2025. In order to carry over the allowances, they had to sell them to the market, but there was no demand, so the price really went down because they rather sell them at a very cheap price than let them be canceled by the government. Until now, the market still hasn't recovered from that. Market monitoring plays an important role. The government, Ministry of Environment, other Ministries and Departments, and Korean Exchange have to monitor the market. The ETS is an open system and open to changes. We can't change the laws but regulations under the laws can be changed. In recent years, we have had a lot of changes so that we can catch up with what is happening in the market.</p>
<p>Vina Capital</p>	<p>1. As a capital company that invests in carbon credit projects, if the project is conducted abroad, is it obligated to be listed on the CTX in Vietnam? Or can it be listed on other foreign CTX?</p> <p>2. Following the trend, companies invest in agricultural projects to earn carbon credits, but in case an energy company</p>	<p>Ms. Loan, GreenCIC:</p> <p>For trading products, there are 2 types of carbon markets: compulsory or voluntary. If the project is implemented in the voluntary market, then there is no requirement of where to be listed. If in the compulsory market, there must be a requirement on where to list the product.</p> <p>National regulations for agencies, majors, offsets, allowance allocation, or trading outside ETS will be promulgated in the future.</p>

	<p>buys carbon credits from an agricultural project, is it allowed on the CTX? Or do they have to buy credit from another energy company?</p>	<p>Ms. Ho Thi Hang, MOF:</p> <p>According to the current regulations, in Decree 06, carbon credits in the market are verified by MONRE. In that Decree, there are specific requirements for credit verification. There is no requirement or limitation on which sectors the credits can be traded. In trading, 1 credit or 1 allowance are both equivalent to 1 ton of CO₂, and we follow that unit. MONRE is the focal ministry to develop all relevant regulations. The main principles and research in Decree 06 all follow a common framework.</p>
<p>Ms. Ho Thi Hang - MOF</p>	<ol style="list-style-type: none"> 1. The Consultant presented that the Ministry of Environment (MoEnv) is in charge of monitoring the market and the CTX. So, according to Korean regulations, how are they monitored? When do you monitor them? 2. Related to determining the opening price in the CTX, who determines the opening price? 3. I heard that the free allowances are allocated in the initial period and will be auctioned in the next period. From the perspective of a governmental agency, is there any regulation for free allowance allocation in this period? The government allocates free allowances for the 	<ol style="list-style-type: none"> 1. The Ministry of Energy (MOE) thinks about everything that's going to happen and then coordinates with other ministerial agencies. The Ministry of Environment (MOEnv) think of all policy needed by the ETS (improvement, introduction of new mechanism), and then they will give order to their state actors: <ul style="list-style-type: none"> • Korea Environmental Corporation which is in charge of research and policy; • When it comes to technical input, like how to improve emission calculation/ coefficient/ allocation/ benchmarking, the GHG inventory and research center (GIR) will be in charge; • When it comes to trading, the KRX is in charge. The system is electronic already so they can trade and monitor everything within the system. • The role of MoEnv is to promulgate the regulations that cover how people will trade and how KRX should manage the trading 2. This is not calculated, it depends on the market itself. The opening price of today is the closing price of yesterday. Trading happens within the minute that passes by,

	<p>companies, which are considered as an asset, and then the companies can sell them. How do these activities relate to each other? How does the government manage them?</p>	<p>and the price goes up or goes down. Within this period, it will determine the closing price at the end. So, the price really depends on the market and the system.</p> <p>3. At the beginning, the government allocates 100% free allowances, so that companies have time for transition. They need time and money to apply low-carbon energy and reduce emissions. As time goes by, their emissions are reduced, and they can sell their free allowances and earn profits from the sold allowances. Then, now it's time to cut the free allowances, and the government can now earn money from auctioning. They can reduce the free allowances and increase the auctioning through benchmarking.</p> <p>For the calculation of emission intensity, the technical team of the environment department is in charge of calculating the benchmark. So that's how it comes from giving free allowances to auctioning.</p> <p>The government can monitor everything within the system, which is a very complex system that records all the offsets, carbon credits, and allowances. They don't touch your allowances or account, but they know everything in your account and everything happening in the market. It is important to have an efficient system.</p>
Phan Quang -online	<p>If an enterprise has been allocated free allowances, can it sell all of its allowances? Or will there be any control over their trading?</p>	<p>Technically, they can sell all of the free allowances, but they have to check first if they meet the obligations with the government. If they meet the obligations, they can sell all the allowances. You have to pay if you don't meet your obligation, you rather buy allowances than pay a penalty.</p>
Ms. Ho Thi Hang - MOF	<p>Who is the one that decides the initial price?</p>	<p>Very interesting question. I don't have the answer right now, will find more information and share it later.</p>

4. Closing remarks

Closing remark by Mr. Toan – ETP

The carbon market is an instrument of the government to ensure the countries meet the criteria stated in their NDC to reduce emissions, as well as support Vietnam to achieve the net zero target in 2050. The Vietnamese government has paid great attention to the carbon market and issues guiding regulations for it. The roadmap for carbon market development in Vietnam is very ambitious and aims to provide a legal basis for pilot implementation from 2025 to 2027, so we only have one year left to prepare for it. As for UNOPS and ETP, we are very honored to have the trust of the MOF to support Vietnam in developing its carbon market. This is our first collaboration with MOF, and we hope that we can identify the gaps in the legal framework, the institutional arrangement, and the infrastructure, and then fill up these gaps to be ready for carbon market operation in 2028. Regarding the message of UNOPS and ETP, we implement these activities based on the needs of Vietnam, for Vietnam, the proposals are given based on various international models, from the EU and Korea, etc. to find the most appropriate solution specialized for Vietnam. The final design for the establishment and operation of the carbon market will be decided by the Vietnamese government. Hope we can contribute valuable recommendations for this process.

Closing remark by Ms. Ho Thi Hang – Deputy Head of DLA – MOF

Through the workshop, we had frank exchanges and gained a lot of new and important information. However, there are still many unanswered questions for the experts. We hope that the organizers and the Consultant will support sending that Q&A and discussions on the online platform to share and clarify the information. We see that support from international organizations, the role of ministries, management agencies, and market participants is essential to build and operate a carbon market and CTX towards Vietnam's commitment to emission reduction targets. We look forward to more experience sharing from the international countries for our MOF, MONRE, and related management agencies in the establishment and operation of the carbon market and the CTX in Vietnam. We would like to thank UNOPS, ETP, the Consultant, and the experts for sharing valuable information and experience from international countries and thank related parties and market participants for joining the discussion to raise our knowledge about the carbon market. I would like to respectfully close the workshop!