

Making Carbon Markets Work for the Poor in Vietnam



ACTION PLAN

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List of Acronyms

ADB	Asian Development Bank
CDCF	Community Development Carbon Fund
CDM	Clean Development Mechanism
CER	Carbon Emissions Reductions
DOE	Designated Operational Entity
DNA	Designated National Authority
EU	European Union
EVN	Electricity of Vietnam
GEF	Global Environment Facility
GoV	Government of Vietnam
GS	Gold Standard
IoE	Institute of Energy
LOA	Letters of Approval
MOIT	Ministry of Industry and Trade
MONRE	Ministry of Natural Resource and Environment
NGO	Non Governmental Organisation
NTP-PR	National Targeted Program on Poverty Reduction
NTP RCC	National Target Programme to Respond to Climate Change
ODI	Overseas Development Institute
PAC	Practical Action Consulting
PDD	Project Design Document
REDD	Reducing Emissions from Deforestation and Forest Degradation
REEP	The Renewable Energy and Energy Efficiency Partnership
SEDEMA	Socio-economic Development Programme for Ethnic Minority Areas
TNA	Technology Needs Assessment
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
VCCI	Vietnam Chamber of Commerce and Industry
VCM	Voluntary Carbon Market
VCS	Voluntary Carbon Standard
VER	Voluntary Emissions Reductions
WB	World Bank

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Context

This Action Plan is one of the outputs of a study commissioned by the Like Minded Donor Group (LMDG) in September 2008. The main report provides a description of the analysis that underpins the recommended Actions provided in this document.

Specifically, the study, implemented by a consortium led by Practical Action Consulting and including the Institute of Energy in Vietnam, makes recommendations in this Action Plan to facilitate the development of voluntary markets for tradable carbon emissions reductions in Vietnam, as a complement to the existing markets under the “Clean Development Mechanism” (CDM).

The structure is based on the activities needed to foster a market and follows a market mapping approach with consideration of the enabling environment for the market in terms of the policies and legal requirements etc. This is followed by consideration of the market development and how the embryo market in Vietnam can be grown along with the supporting services required.

Consideration is specifically given to delivering pro poor benefits through the Voluntary Emissions Reductions (VER) market concentrating on the project pipeline in the four sectors of renewable energy, community energy efficiency, forestry and small scale methane.

Currently the VER market in Vietnam is non existent and awareness is low. The following recommendations for action detail activities which are important in supporting and developing the VER market and in improving the delivery of benefits from VER projects. These are rated according to priority with an indication of expected benefits costs and possible ways forward.

1. Summary Action Plan

Action	Who	When	Cost ¹
PRIORITY ACTIONS			
Enabling Environment at national and international level			
Establishment of a working group to encourage the Vietnamese Government a) to amend licensing protocols for CDM/ VER projects (Action 2.1a) b) to provide investors in electricity supply market with pricing assurance (Action 2.1b) c) to develop nationally approved electricity supply carbon benchmark. (Action 2.2)	Donors/multilaterals to initiate discussions with the (Government of Vietnam) GoV, National Target Programme to Respond to Climate Change (NTP RCC), National Targeted Program on Poverty Reduction (NTP-PR), Ministry of natural Resources' and Environment (MONRE) and Ministry of Industry and Trade (MOIT). In addition for c) to include Vietnam Energy Efficiency Programme under MOIT World Bank (WB) Budget support dialogue, Asian Development Bank (ABD) for funding. Proposed national focal point (4.1 etc below) should also be included.	Deals with the current supply of projects for generating Certified Emissions Reductions (CERs) and VERs and is fundamental to the development of a market. Actions a) and b) are needed in the short term. The workshop for c) also needs to be initiated and carried out in the short to medium term. These would provide one off immediate support for market development.	L
Pro Poor and Sector Specific			
Establish a Technical Assistance Fund (TAF), investigate potential VCM projects and launch a call for proposals to support a small number of pilot study projects in each of the four sub-sectors (Actions 3.1, 1 and 2, 3.3, 3.4, 3.5 and 3.6)	GoV, NTP-RCC, NTP-PR, and Socio-economic Development Programme for Ethnic Minority Areas (SEDEMA) programmes to discuss with REEEP, GEF, ADB and WB's Clean Technology Fund for additional financing initiative under NTP RCC with possible further capacity support from donors/ multilaterals. Proposed national focal point and NGOs also to be included.	These activities need to be started in the short term with an implementation deadline for pilot study kick off of 18months possibly ongoing for up to 5 years.	H

¹ L=Low, M=Medium, H=High

Action	Who	When	Cost ¹
<p>Technical assistance on aggregation approach to VER sector small scale projects through methodology developments occurring under programmatic CDM and community education and test in pilot programme of projects of the TAF (Action 3.2)</p>	<p>Under GoV NTP RCC NTP-PR to seek technical assistance from CDM experts, standards developers and NGOs with funding from donors/multilaterals and WB Community Development Carbon Fund (CDCF) and CTF. Testing through practical implementation in pilot study. Proposed national focal point also to be included.</p>	<p>Needs to be completed in the short to medium term to allow trialling in the pilot study (above) and availability in the near term for expansion of the market to pro poor projects.</p>	<p>L</p>
<p>Market development in Vietnam</p>			
<p>Establishment of a market focal point to facilitate buyer seller relationships and networks and provide training and technical assistance in project documentation for consultants, buyers sellers and brokers in VER market and in VER standards and requirement to use (Actions 4.1, 4.2.2 and 4.3)</p>	<p>Donor/multilateral community to discuss logistics for setting up a national focal point with GoV, NTP-RCC and carbon market players. Possibilities are location within NTP-RCC, independent or associated with existing Vietnam Chamber of Commerce and Industry (VCCI). Once decided then support either from multilaterals and/or existing carbon market players may be sought.</p>	<p>If established well could be a pivotal activity in the advancement of carbon markets in Vietnam and would be involved in most of the recommended actions in this Action plan. The activity needs to be initiated urgently in the short term with a medium term implementation timeframe to allow interaction with the other planned actions.</p>	<p>M</p>
<p>Establishment of information platform to provide project development guidelines in Vietnamese (Action 4.2.1 and 4.2.4)</p>	<p>Depends on setting up a market focal point. The proposed market focal point could undertake this activity working with the DNA for the CDM. Donors/Multilaterals, GoV and carbon market players to consider support for the initiative. If no focal point this activity could be undertaken within the NTP-RCC and DNA for the CDM with donor /multilateral and market actors' support.</p>	<p>Linked to the timeline for the previous activity on establishing the market focal point and should be incorporated into its terms of reference or activities schedule from the start. If the focal point is not established or is delayed then the activity should be undertaken in the short term anyway.</p>	<p>M-L</p>

Action	Who	When	Cost ¹
Form an immediate link to an established registry or consider a national registry for VERs and consider requirement for registration of VERs to ensure integrity of VERs (Action 4.3.1)	Donors/multilaterals to convene stakeholder group to include GoV, NTP-RCC, DNA for CDM, VCCI and other market stakeholders to consider options to implement. The market focal point when available could be charged with setting up the system with requirements for registry and registration of VERs and projects.	In the short term as this is likely to require some time to implement.	L-M
IMPORTANT SUPPORTING ACTIONS			
Enabling Environment at national and international level			
By providing funds to the Technical Assistance Fund (Actions 3.1 1& 2, 3.3), support the GoV to develop nationally approved carbon benchmarks to streamline implementation of a range of projects (Action 2.3)	Donors and multilateral organisations with ADB, WB CTF and CDCF to consider TAF funding support under GoV NTP-RCC with possible support from NTP-PR for dissemination via focal point to developers.	Whether or not the TAF is set up this activity could be undertaken in the short term to provide the market players /developers with the information in the medium term.	H
Provide capacity building on climate change, low carbon sustainable futures and carbon markets within the state banking sector and Vietnamese Government (Action 2.4)	Can be linked to existing initiatives under GoV NTP-RCC, Technology Needs Assessment (TNA) update activities, DNA for the CDM and the national VER focal point. Donors / multilateral support can be considered within these existing initiatives to target awareness across GoV and banking sector and extended to the new VER national market focal point.	Donor/multilateral support is needed in the short term though longer term on going dissemination can be undertaken by the focal point supported by market actors once market is established. This activity facilitates the supply side of VERs and is needed in the short term.	L
Market development in Vietnam			
By providing funds to the TAF , establish a funding mechanism for the initial phases of project development Action 4.2.3	GoV NTP RCC TAF fund to establish a funding mechanism to offset risk for initial phase of VER projects in association with focal point and to seek funding from financing institutions such as WB, ADB, GEF etc. Dissemination to companies already interested in poverty reduction projects through focal point.	This activity is needed to encourage developers into this market for supply side of VERs especially pro poor projects and therefore needs to be started in the short term for availability to developers in the medium term, preferably within a year	H

2. National Enabling Environment

CDM projects have problems in acquiring accreditation. These problems are also likely to apply to any VER projects and actions need to be taken to overcome these hurdles.

2.1. *Additionality problem*

ISSUES: a) Difficulty in demonstrating project additionality because of licensing rules in Vietnam. For both Voluntary and CDM projects it is essential to demonstrate that a project is “additional” to “business as usual”. In Vietnam a licence is required for engaging in a commercial activity. To obtain this licence the project developer must prepare accounts that demonstrate the businesses’ financial viability. This creates an incentive for businesses to potentially exaggerate their viability. Such assertions of financial viability, in the case of Vietnamese CDM projects, can significantly weaken the investment additionality argument that the project is not “business-as-usual” and prevent them from acquiring validation

b) Difficulty in demonstrating project additionality because of state involvement in electricity price tariff formation. Where a project supplies electricity to the grid then there is a compounding factor. Validators frequently require evidence that an income stream from certified emission reductions or voluntary offsets was considered at the time of developing a business plan for a proposed CDM or voluntary offset project activity. Vietnamese CDM project developers do not incorporate this income in their business plans as they fear that if they were to do so then electricity tariffs would be reduced to take account of this income stream. The solutions proposed focus on overcoming problems at the national and international level

ACTIONS: 2.1 a) Licensing Rules

It is recommended that a working group be formed to discuss these issues with the GoV, NTP-RCC, MONRE, MOIT with the aims of:

- exploring ways to relax licensing rules for CDM/VER projects
- considering clear and transparent rules for exemption of small scale projects and programmes of activities
- ensuring that they are aware of these issues
- providing investors with some sort of assurance that electricity or other project sources of income will not be reduced to take account of CER income

Benefit: Will radically improve likelihood of offset projects acquiring accreditation and finding buyers

Who: Donors and/or multilaterals (led by investment climate and CDM experts) working with GoV MONRE, MOIT, NTP-RCC and NTP-PR teams, ADB and World Bank Budget Support Dialogue.

When: This is needed in the short term to unblock project pipeline

2.1b) Assurance on electricity supply pricing

The working group to be formed for action 2.1a could also discuss these issues with the GoV NTP-RCC, NTP-PR, MONRE, MOIT teams with the aim of providing

investors with some assurance that electricity or other project sources of income will not be reduced to take account of CER income.

Benefit: Will radically improve likelihood of offset projects acquiring accreditation and finding buyers

Who: Donors and/or multilaterals (led by investment climate and CDM experts), working with GoV MONRE, MOIT, NTP-RCC and NTP-PR teams, ADB and World Bank Budget Support Dialogue

When: This is needed in the short term to unblock project pipeline

2.2. National Baseline

ISSUE: Difficulty in obtaining nationally endorsed figures for carbon baselines. Project developers have difficulty in obtaining data necessary to establish carbon baselines, presenting a significant obstacle to accreditation

ACTION: Develop national electricity baseline. Developing a national baseline for electricity supply and other activities is the responsibility of GoV. It should be freely available to all investors and each one should not have to seek out the information each time. The problem is lack of data but also for the electricity sector the baseline is based on planned development under the Power Development Master Plan rather than on actual data so that validators find variability across projects. Baselines are needed for the following:

- A carbon baseline for the electricity sector as a whole and marginal electricity generation (this will be important for renewable projects and energy efficiency projects).
- Key baseline determinants for other key sectors should also be determined e.g. for biogas and cook stove projects, which appear to have significant potential in Vietnam it will be important to establish the baseline % of non-renewable biomass for Vietnam, what fuels will be displaced by the biogas/ cookstoves; how manure would be managed in the absence of the bio-digesters.

Benefits: Will enable projects to acquire CDM/ VER accreditation with corresponding reductions in transaction costs. Buyer concerns are also focussed on the need to develop national standards for carbon benchmarks for Vietnam which will also significantly help to present the case for additionality.

Who: The donor and multilateral community along with the World Bank Budget support dialogue, ADB and REEEP for funding can encourage the Vietnamese government (including NTP-RCC, NTP-PR, MONRE, MOIT) who will have to formally approve the process to hold a workshop to generate an electricity baseline. Funding for any necessary studies can potentially be provided by the funding organisations above as well as donors, or NGOs such as SNV (who are developing biogas projects in Vietnam). The proposed national focal point (4.1 etc below) should also be included.

How: Encourage GoV to hold a workshop, perhaps through IoE, to discuss the issues. The Voluntary Carbon Standard (VCS) which is looking at criteria on electrification

could be included as could the Vietnam Energy Efficiency Programme under the lead agency mandate of the Ministry of Industry and Trade.

When: Within the short to medium term. Although not as much of an obstacle as issues discussed under actions 2.1 the acquisition of this baseline data can be challenging and without it, it may be difficult for projects to go ahead in notable number.

2.3. Funding assistance for capacity building

ISSUE: GoV MONRE will require financial assistance to develop the national carbon benchmarks necessary in a range of sectors and also capacity building support.

ACTION: Assist relevant ministries such as MOIT, MONRE and Electricity of Vietnam (EVN) to develop nationally approved carbon baselines for certain activities through provision of funding to the Technical Assistance Fund (Action 3.1) for necessary baseline research and other capacity building activities.

Benefits: Will enable projects to acquire VER/ CDM accreditation and hence carbon funding. Will reduce transaction costs.

Who: Funding for any necessary studies can potentially be provided to Technical Assistance Fund proposed under Action 3.1, by a number of bodies that have an interest in channelling carbon funding into these projects. These may include donors, multilaterals, ADB, WB CTF, WB CDCF, NGOs e.g. SNV (who are developing biogas projects in Vietnam).

How: Pooled funds for technical assistance (TAF) to GoV to supplement activities under NTP-RCC, NTP-PR and Vietnam Energy Efficiency Programme under MOIT

When: Whether or not the TAF is set up this initiative needs to be started in the short term as it is expected to take some time before all benchmarks are available for developers.

2.4. Capacity building for Banking sector and Government institutions

ISSUE: Develop understanding of and expertise in climate change, low carbon sustainable futures and carbon markets within the state banking sector and Vietnamese Government. This is an institutional problem within Vietnam and Vietnam's political structure which will continue to make it difficult for projects to become established. The alignment between the state-owned commercial banks who distribute state assistance to the poor as well as microfinance and the Government's policy and objectives, means that ability to access local finance for carbon projects is intrinsically a local political decision. Capacity building is needed to help the Vietnamese government develop expertise in climate change, and renewable energy, and energy efficiency, adaptation and carbon markets. From this expertise would flow an awareness of the appropriate role of the certified and voluntary carbon markets, plus a rigorous approach to the voluntary market.

This is also important as under the CDM the Executive Board (EB) has commissioned a project looking at possible synergies between CDM, programmatic CDM and microfinance for Less Developed Countries. Experience from this could input into pro poor project funding. This activity can also be linked to initiatives under NTP-RCC, TNA, DNA for CDM and the proposed national market focal point.

ACTION: Build institutional capacity and knowledge in the carbon market for CERs and VERs in Vietnam's Government and associated institutions along with the state banking sector

Benefit: To facilitate market development.

Who: Donors (bilaterals) and multilateral such as UNDP with comparative advantage and the Vietnamese Government initiatives under NTP-RCC and NTP-PR, TNA updates, DNA for CDM and national focal point (Action 4.1)

How: By providing workshops and training on these issues to raise awareness and understanding

When: The support by donors and others is needed in the short term but longer term this could be supplemented by the focal point financed by the market actors

3. Pro poor and sector specific enabling environment

In the following sections the types of projects and problems in each sector of interest are examined.

3.1. Funding and implementation support pilot VER projects

ISSUE: Need for the provision of technical and financial support from inception through to VER delivery for at least one pilot VER project in each of the target sectors through a TAF. This would involve a trial for small scale project implementation and could explore interfaces with existing development programmes as well as allow the developer to develop programmatic aggregation in the future. An aggregating system would involve putting in place the supporting actions to deal with multiple stakeholders and policies and creation of sector networks.

ACTIONS: 3.1 a) Pilot projects for demonstration and training purposes

Benefits: Can kick start the market; can provide other potential project developers with real time guidance on how to engage in the process; will directly result in several projects being funded by the carbon market; will reduce investor uncertainty, provide experience and identify barriers.

Who: a collaboration involving the donor/multilateral community eg REEP, GEF, ADB and WBCTF under the Vietnamese government, NTP-RCC and NTP-PR teams, SEDEEMA programmes with NGO implementer/advisory role and potentially one or two carbon players that can provide VER offtake/ part fund transaction costs. The proposed national focal point should also be included.

How: Support developers in developing and implementing small scale projects through additional financing initiative of TAF under NTP-RCC to fund and administer project feasibility phase and develop aggregating techniques supported by action 3.2 for the design of the programme to learn by doing. Altruistic funds such as Acumen who already act in the market and provide seed funding for non carbon benefit could also support this action.

When: As the project cycle can take up to 2-3 years the process should be started quickly with an implementation deadline for the fund of 18months and project implementation within 2 years.

3.1 b) Within the pilot scale projects incorporate the following sector specific enabling actions to address the problems of implementation of small scale projects:

- convene market player discussions on best practice for stakeholder engagement while minimising costs
- enable discussion and information for ministries and organisations involved linked to market focal point to align policies
- discuss development interface at national and international level to see what is feasible.

- sector market networks need to be convened for the sectors which could be a task for the focal point and could be part of the pilot programme
- information is available from UNFCCC and UNDP and ENTTRANS project on low carbon technologies and could be made available in Vietnamese through the focal point
- community education.

Joint discussions with GoV, NTP-RCC and NTP-PR team and SEDEMA programme, the national focal point, the donors and multilaterals, NGOs, market standards and the market focal point /players are needed to address the problems. The group responsible for setting up the TAF and the pilot programme should be the core group with relevant stakeholders as required.

How: A network of relevant stakeholders could be created and meetings convened under the NTP-RCC and TAF to decide on support for administration of SS projects, alignment with policies, suitable technologies and boundaries with ODA as well as new standard development for aggregated projects and community education. Funders would have to support these activities from the start of the TAF fund development through up front funding.

When: This can be started in the short term to allow activities to be developed in time for trialling and capacity building in the pilot study of action 3.1.

Issues of awareness raising and information provision are common to all the sectors and are covered in actions in section 4.

3.2. Development of aggregation techniques

ISSUE: For the small scale sector projects involving multiple stakeholders there is a need to reduce transaction costs. **Aggregation of projects and the use of microfinance** as indicated in 2.4 where the EB is investigating microfinance in LDCs. The EB has also now brought out methodologies for Programmatic CDM and small scale programmatic CDM which could usefully be considered for the VCR market. for CDM projects are possible ways forward.

ACTION: Development of aggregation approach to VER sector small scale projects through methodology development and community education.

Benefit: Will enable more small scale projects currently unattractive to developers and deliver more pro poor benefits

Who: Donor community, GoV NTP-RCC and NTP-PR market sector players, community representatives, focal point and VER standards and link to CDM programmatic methodology developments. Possible funding for technical assistance through GEF, ADB, WB CTF and CDCF programmes as well as WB Budget assistance.

How: The aggregation approach can be generated by a technical assistance initiative under the GoV, NTP-RCC working with the DNA, with inputs from the stakeholder network groups in a participatory process and through application of aggregation

approaches in the Vietnamese context as part of the pilot programme for the VCM. This activity requires inputs from a range of stakeholders (as in 3.1 1&2 above) using the core group for the TAF and pilot study and stakeholders augmented by other relevant entities described above for inputs. Leveraging existing voluntary programme methodologies e.g. Gold Standard, CDM programmatic methodologies and collaboration with BP or other first movers on programmes of projects would be useful.

When: The stakeholder meetings to derive an aggregation approach need to be completed in the short to medium term to allow trialling from the start of the pilot programme and availability of approaches for pro poor market development

3.3. Forestry

ISSUE: Despite considerable interest in commercial plantation forestry which may generate employment (and may therefore be regarded as "pro-poor"), the practical feasibility of the projects in the face of ongoing forest sector reform and land allocation, land-availability for large-scale plantation establishment, biodiversity concerns, promoting protection and SFM of existing forest has to be questioned. The realities in the forest sector as well as alignment with national policies, strategies, and legal-regulatory framework conditions for forest sector development create a challenge for VCM projects.

Despite the fact that Vietnam is among a first group of 14 developing countries that were selected by the FCFP Steering Group for REDD implementation in July 2008², the VCM and REDD are still novel concepts in Vietnam. Stakeholder awareness, knowledge of requirements and instruments, and overall management capacity are low. Development of concrete projects and initiatives in the Vietnamese forest sector does not keep pace with growing global as well as regional attention, and market demand.

While groundbreaking work for putting VCM/REDD into practice is underway, donors and NGOs at present focus on mainstreaming VCM/REDD into ongoing projects and initiatives (sustainable forest management, community based forest management, biodiversity conservation).

ACTION: While there is evidence to suggest that (international) buyers in voluntary carbon markets have a strong preference for measures that generate social benefits as an added value to carbon sequestration, the development of a functioning, forest-related voluntary carbon market in Vietnam may require increased government and governance support.

Government action is required in the following respects:

- Harmonize and mainstream forest-related carbon marketing more visibly with forest sector reform and development
- Promote availability of forest-ecological and socio-economic data and information

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<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21846447~menuPK:34463~pagePK:34370~piPK:34424~theSitePK:4607,00.html>

- Integrate forest-related carbon marketing with sustainable forest management (SFM) extant rural development and PES policies and frameworks.
- Strengthen the outreach and impact of pro-poor, forest-related carbon-sequestration and marketing initiatives
- Strengthen forest governance in support of climate change mitigation efforts, including pro-poor carbon marketing
- Some of these activities could be undertaken or are already covered under section 3 but GoV would have additional tasks as above on the governance and institutional reforms especially in interagency links and in lack of tenure issues.
- Further work is needed to establish the impact REDD projects would have on availability of VCM projects

Benefit: Increased forestry sustainability benefits and pro poor benefits from forestry VCM projects

Who: GoV, NTP-RCC, NTP-PR and focal point, community groups, NGOs with help from donors/ multilaterals, WBCTF and CDCF

How: Building on the working group established for actions 2.1a) and b) and 2.2 possibly along with a core group of stakeholders for the TAF, sector players and focal point with subgroups to deal with the issues highlighted above. Link to REDD.

When: Some of these are ongoing activities while others are needed in the short to medium term to feed into the pilot study and existing initiatives

3.4. Energy Efficiency

ISSUE: CDM is already known in the rural energy efficiency sector, and UNDP will start next year in the Ceramics and Bricks sector. The potential in the rural industries for energy efficiency and CO₂ reduction is very large. In the government sponsored Energy Efficiency programme the projects involve many parties from government and from private business. VCM money could be an additional investment extending the programme but this 'clear boundary but mutual enhancement approach' would have to be clear. Cooking Stoves and Solar water heaters are possible project types of interest

ACTION: It is clear that cookstoves and possibly solar water heaters have potential and there may be other technologies not so far considered.

- **Explore the possibility of a cookstoves project under VCM**
- **Explore application of other technologies of interest e.g. heat pumps for fruit drying etc**

The problems highlighted above of multi stakeholder projects and interaction with existing policies and donor programme boundaries also apply here

Benefits: The sectors would benefit from investment and sustainability pro poor outcomes

Who: WB CTF, REEEP, GoV and Vietnam Energy Efficiency Programme under MOIT to support NGOs active on cook stoves or solar water heaters or anyone else working on energy efficiency specifically

How: Building on the working group established for actions 2.1a) and b) and 2.2 possibly along with a core group of stakeholders for the TAF, sector players and focal point with subgroups to identify suitable projects, address national and sector developments to enable good projects address problems and any ODA interface. Feed into Pilot study to aid process

When: These initiatives need to be supported with Immediate effect.

3.5. Renewable Energy

ISSUE: Renewable energy is subsidised under the GoV. Wind, Solar, geothermal and tidal power are listed but there are more possibilities which could be investigated. Currently (HDR, 2007) 13.2 million people are still without electricity and the main Vietnamese strategy is grid extension (84% electrification rate, HDR, 2007). There is still a niche for PV systems, pico and micro hydro and small wind (hybrid) systems. Wind can also be used for water pumping for irrigation and can avoid the use of diesel pumps as could treadle pumps. The areas where this development takes place are limited to coastal flat zones

ACTION: There is potential in the areas unlikely to be grid connected within 15 years and this needs to be explored further. Most of the problems and activities required have been discussed under section 3 above and in the other sectors.

- Explore the potential for renewable energy in light of recent studies on possible climate impacts and the implications for resource availability

The problems highlighted above of multi stakeholder projects and interaction with existing policies and donor programme boundaries also apply here

Benefits: The sectors would benefit from investment and sustainability pro poor outcomes

Who: WB CTF, REEEP, GoV NTP-RCC and NTP-PR to support NGOs active on renewable energy projects specifically

When: These initiatives need to be supported with immediate effect.

How: Building on the working group established for actions 2.1a) and b) and 2.2 possibly along with a core group of stakeholders for the TAF, sector players and focal point with subgroups to identify suitable projects, address national and sector developments to enable good projects address problems and any ODA interface. Feed into Pilot study to aid process

3.6. Small Scale Methane

ISSUE: The GoV also subsidises electricity produced from methane recovery from waste disposal sites and coal mining. It is not clear if this applies to biogas. For this sector it seems that project developers are much more aware of CDM with methane

gas recovery (landfill gas) projects e.g. Landfill Gas Recovery and Utilization in Da Nang, HCM city, Hai Phong, and others. The MARD biogas programme with support of SNV focuses mainly on small pig farmers familiar with CDM and VCM.

ACTION: Biogas is a promising area and the issues for action have been covered above.

- Explore the potential for small scale methane especially biogas in Vietnam

The problems highlighted above of multi stakeholder projects and interaction with existing policies and donor programme boundaries also apply here

Benefits: The sectors would benefit from investment and sustainability pro poor outcomes

Who: WB CTF, REEEP, GoV NTP-RCC and NTP-PR to support NGOs active on biogas or anyone else working on small scale methane specifically

When: These initiatives need to be supported with Immediate effect.

How: Building on the working group established for actions 2.1a) and b) and 2.2 possibly along with a core group of stakeholders for the TAF, sector players and focal point with subgroups to identify suitable projects, address national and sector developments to enable good projects address problems and any ODA interface. Feed into Pilot study to aid process

4. VER Market Development in Vietnam

A successful VCM will evolve when it has less process costs, viable projects with high prices for VERs and simpler and faster appraisal processes and high rates of successful validation. The following sections deal with the market development for each of the main groups. Sections 4.1 and 4.2 deal mainly with developers concerns for their ability to provide a project pipeline which will provide VERs of the type required by the market. Section 4.3 deals with the buyer concerns which relate to the attractiveness of the VERs produced by the developers.

4.1. *Market network organisation and focal point*

ISSUE: Market Focal Point. Access to accurate and timely information on the international carbon market is critical to develop a thriving carbon market in Vietnam and participants in the study identified the need for access to and exchange of information and for a trade body. Such a body strengthens the ability of project developers to conduct contractual negotiations with buyers, and reduces the risk of non-delivery through inadvertent non-compliance, which may be caused through misinterpretation and translation. Evidence from development of international markets suggests that in-country workshops and training is an effective tool to bring new participants into the market, and encourage locally initiated project development.

A trade association, appropriately funded, can help to foster these links, and demonstrates both a regional commitment to and interest in the carbon market. This is envisaged as a trade association of communities sharing knowledge and best-practice rather than an association of middle-men.

Some of the activities which such a focal point could undertake are detailed below. An alternative would be that market development and ongoing supporting actions could be undertaken by a range of disparate organisations that would have to be linked and cooperate with each other which may be less efficient. The different possible models should be discussed further with the market stakeholders.

ACTION: Formation of a market focal point e.g. Carbon Market Trade Association, web based or other facilitating model with the following remit:

- Information access point for national and international market information and exchange forum
- Training capability and materials
- Technical assistance
- Standard setting for the market
- Develop/promote pro-poor development-rich projects with training and capacity development to the communities.
- Possible registry for VERs but other possibilities exist
- Interface with external buyers as one stop shop for VERs?
- Market oversight
- Interface with in country government ministries and other organisations

- Arrange regular market network meetings on issues
- Financing mechanisms such as ‘up front loan fund’ either in house or linked to financial institution
- Awareness raising activities
- Link to DNA
- Establish a web site and chat room
- Hosting international and national events etc to promote reputation as in 1.9
- Enable collaborative negotiations with local DoEs to offer pro-bono or discounted verification, assuming this is conducted transparently and does not act to distort the market.

This could be a single focal point, in which case either an existing industry trade association could be used or a new institution set up for the purpose.

Benefits: enables market facilitation and development Though there are other methods of information provision but this is key to unlocking carbon finance in Vietnam, and ensuring it flows to a variety of projects and does not become locked up in the hands of a small group

How: Seed funding would have to be arranged from the government or a donor to enable the market facilitating entity to develop to the point where it could be self financing. This funding could be allocated to a set of activities either under the new market focal point or undertaken by disparate organisations. Some activities identified by participants are discussed below. . The focal point could come under the NTP-RCC, be independent or under the VCCI. Once set up it would be involved in all other VER related activities

Who: A donor lead is probably required to facilitate the initial set-up activities and seek appropriate funding with GoV, NTP-RCC, MOIT and VCCI.

When: The trade association should be developed immediately, and in parallel with other actions to address commercial and institutional barriers. It will take a period of time for the trade association to become established, develop relationships and build up an appropriate library of relevant information. It would then be in a position to promote development of the Vietnamese carbon market, once other interventions have begun to take effect.

4.2. Market development support

Seed funding was essential could be targeted on the following activities listed in order of priority to support the development of a VER market.

4.2.1. Information and language

ISSUE: There are additional problems associated with difficulty in obtaining good guidance information in Vietnamese on the rules and procedures for developing CDM projects which also applies to VER projects. There are a number of useful background sources of information on developing carbon offset projects but unfortunately most of

the information is not available in Vietnamese and not all potential Vietnamese project developers have the necessary language abilities to use the original versions. Translating guidance material into Vietnamese will help significantly.

ACTION: Translating guidance material into Vietnamese

Benefits: Will enable local developers to quickly understand the principles of developing offset projects and how to proceed. Access to relevant information is fundamental to the success of the markets

Who: For the CDM, MONRE/DNA. Donors and Multilaterals could notify the DNA of this need and potentially provide the DNA with the funding necessary for the translation work. Similarly for the VER market translations of certified project information relevant to Vietnam could be funded and made available as examples of successful projects. Project Guidelines, standards and other information relevant to the VER market should also be made available. A link to DNA/CDM material would be useful.

How: For the CDM, the DNA could ensure that information and advice is made available to prospective investors and developers in hard copy as well as on the web.

For the VER market similarly the focal point or NTP-RCC team could undertake this activity and disseminate the material.

When: This activity should be undertaken in the short term and if undertaken by the focal point linked to that timeline. This should not take too much time and should not be too expensive. Benefits are likely to be significant.

4.2.2. Support for training and technical assistance

ISSUE: Training was given a high priority in the workshop and buyer interviews and in receiving technical assistance to prepare the documentation required for VER certification. Training needs were expressed: either as training workshops and/or as technical assistance on the development of one project. Vietnamese consultants would like to have one example to be developed with a trainer and then they can do it themselves. Who should be trained in addition to consultants e.g. potential sellers, intermediaries and buyers, as well as what in and how they should be trained needs to be discussed and decided.

ACTION: Training could be carried out under the organisation chosen as a focal point for information (point 4.1) or done on an ad hoc basis. For example the RCREE and the FSIV have already instituted a training programme on 'AR-CDM in Vietnam: Project of strengthening capacity in the framework of the CDM'. This would need to be decided.

Benefits: training is a basic requirement for improving the lack of expertise in Vietnam on these issues and is fundamental to making the market work and to its development. Currently there is a bottleneck for validation and verification - this is a global problem but lack of capacity in Vietnam will act to compound this and drive up prices

Who: A mixed approach with donors, GoV, market focal point and players.

How: Meetings to decide on training needs and appropriate methods. Could need start up funding from donors e.g. through the proposed Technical Assistance fund The form

and type of the training in CDM and VER procedures and in the market standards and who should be trained, where it should happen and who should do it needs to be discussed between the GoV, the organisation, and the market players. The focal organisation could arrange these meetings as part of the market network meetings. Funding could initially be seeded by government but could mainly be paid for by market participants.

4.2.3. New Financing Models for VER projects

ISSUE: Assistance is needed to help potential developers to create the concrete project ideas as payment for offsets is generally on delivery. It can however take 2-3 years for offsets to be created. Upfront funding is therefore required. As stated in section 2. Of the report it is difficult for project developers to access upfront financing for their VER projects. The workshop advocated that help was required to develop the projects for the VCR market. Buyer interviews confirmed this concern. Appropriate mechanisms could be considered in more detail the light of the UNFCCC EGTT report on new financing models.

ACTION: The workshop participants suggested that a new 'Up front loan fund' could be formed for VER projects where the loan would be guaranteed by the project income stream from the VERs. Funding help is required to enable the development of firm project ideas and to prove the project concept. The loans could be used to (partly) cover typical project preparation costs, securing a bank loan that otherwise would not have been available, etc.

Benefits: This decreases the risks for the developers and enables projects where investors are finding difficulty in gaining funding especially for the transaction costs in VER projects adhering to the market standards. This will enable more projects to be able to acquire carbon finance. This is particularly a problem for the small scale projects of interest which can deliver the sustainability benefits.

Who: GoV NTP-RCC TAF fund supported by WB, ADB, GEF and donor community and new focal point

How: If an up front loan fund was considered to be a useful element in a strategy for progressing projects then discussions with international institutions and banks could be arranged to progress the formation of such a fund. Altruistic funds such as Acumen who already act in the market and provide seed funding for non carbon benefit could also support this action. Other possibilities exist for financing projects (e.g. UNFCCC EGTT report) and information on this aspect could be made available through workshops. Other assistance to create the concrete project ideas required to leverage funding is covered in 3.2.1 and 3.2.2.

4.2.4. Information focal point

ISSUE: In the workshop a priority identified for accelerating a VER market was for an information service to the potential Vietnamese sellers, brokers, buyers, intermediaries, banks, Government, NGO's. The possibility of providing a focal point to provide information on Who is who, what is required, what is the process how to engage, who

can help, where is training to be found, etc was discussed. Information was also needed in Vietnamese and translation of relevant documentation is required as mentioned above in 1.3.

ACTION: 4.2.4 a) Create information focal point.

Benefit: facilitate flow of information through market system capacity building, enables share of experience, enables ease of accessing buyers, project developers, technical expertise etc.

Who: Donors and multilaterals, GoV, NTP-RCC linked to DNA, market focal point, market players

How: There are a range of options

1. In order to have an information focal point it is essential that government support will be required– not necessarily money or resources but senior level “buy-in”. This could be in the form of assigning the task to the focal point organisation described above in 4.1 or any other market organisation model for market activities. The donor community could arrange to discuss this activity and its funding along with the other market actions listed with the GoV. It would be expected to be self financing with time.

2. The establishment and promotion of a virtual community for the implementation of CDM/VER poverty reduction projects in Vietnam through a website and chat-room that will serve as an information repository and source of information/ guidance exchange amongst potential market participants.

3. In addition funding would be needed for translation activities and for provision of translated documents. This could be discussed amongst donors, the GoV and other market actors and expenses could be recouped through reasonable charging for the materials. This relates to action 4.2.1.

When: Immediately – this can start with the posting of all workshop and project material and other useful information resources located during the course of the study. However if the focal point is to carry this out, the timeline is linked to 4.1. If delayed the action could be carried out anyway under DNA/NTP-RCC. Needs to be accompanied by local (e.g. via ministries and NGOs) and international marketing (e.g. via Point Carbon news)

4.2.4 b) Develop external contacts and reputation of the Vietnamese carbon market through:

- Hosting carbon expos/ matchmaking events
- Attending international carbon market forums/conferences to promote Vietnam and build relationships
- Develop and maintain links with buyers in key markets
- Ensuring that the projects are rigorous in terms of carbon-savings as well as having associated secondary benefits.

Benefits: deliver more buyers to the market

Who: independent stakeholder board, VCCI or market focal point and not delivered through a Governmental organisation with funding from donors/multilaterals, WB budget assistance dialogue etc.

How: To stimulate innovation and broad participation, barriers to participation should be minimised through wide promotion of events

When: If focal point undertakes this action then the timeline is linked to 4.1 if others eg VCCI then in the medium term.

4.3. Registry Facilities for VERs

The analysis prior to the workshop had suggested that Vietnam would be market of interest to buyers for a variety of reasons. There are several issues of relevance to promoting purchase of VERs from Vietnam including the use of standards for the VERs, use of selected project types perceived as simple and social and environmental co benefits of the projects.

ISSUE: In order to have integrity and avoid double selling or double counting CERs have a central international registry for tracking. Currently the VCM market has no global registry for VERs and many local and international brokers hold their own registry of projects and VERs. Consequently this can affect investor confidence where proper tracking to avoid double selling and double counting with VERs is not possible. **It would be useful therefore if investors were required to use one of the established registries or consideration was given to a national register within Vietnam though an international registry would have advantages.** There is no registry for CDM CERs in Vietnam at the moment.

ACTIONS 4.3 a) Form an immediate link to an established registry for registration of all Vietnamese VERs or consider a national registry for VERs and consider requirement for use of VER registration.

Benefits: This would bring integrity to VER investor confidence to the Vietnam market and make Vietnam a leader in the VCM development.

Who: GoV NTP-RCC, DNA and market focal point and players supported by donors/multilaterals/WB/ADB

How: if not donors to convene a stakeholder group with GoV MOIT MONRE NTP-RCC, DNA, VCCI and focal point with funders and market stakeholders who can discuss with market players through meetings the requirement to register and to decide on which registry to link to. When available the market focal point can be charged with setting up a system.

One possibility is that the current requirement to inform the GoV when selling CERs could be extended to VERs so that any VERs sold must be registered and must be accredited as in 4.3.2

When: This project will take some time and should start in the short term

4.3 b) Require use of appropriate standards.

Benefits: The VER market will deliver the types of VERs which are being most sought by the market and Vietnam benefits from the delivery of sustainability and pro poor benefits. Support Vietnam in developing a reputation as the source of high quality VERs.

How:

1. Inform project developers about best standards in Vietnamese context Gold standard, VER+ or VCS for non forestry projects; plan Vivo or CCBS in conjunction with CCBS for forestry for these types of projects
2. Ensure availability of standards expertise, experience and training in application
3. Information on the selected standards then needs to be made available in Vietnamese and training given. This links to activities under 4.2.1 and 4.2.2

Who: donors/multilaterals to support focal point when available or GoV NTP-RCC in collaboration with market players/ to select the standards, train developers and support them to undertake the use of these standards.

How: Standards expertise and information can then be rolled out through the activities described in 3.1 and 3.2

When: This should be initiated in the short term with a medium term timeframe to allow incorporation in VER market set up.

For market integrity and to place Vietnam at the forefront of market developments consideration should be given to requiring developers to always register VERs AND to comply with selected standards.