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Towards an effective, practical and equitable forest carbon legal framework in Vietnam

Recommendations and proposals for the Draft Decree on Forest Carbon Sequestration and Storage Services, based on a synthesis of global and Vietnamese experiences and practices

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Table of contents

Acknowledgement	iv
1 Introduction	1
2 An overview of the Draft Decree	3
2.1 Breakthroughs and pioneering features of Vietnam’s Draft Decree, compared with other countries worldwide	3
2.2 Areas requiring further consideration	4
3 Detailed recommendation for the Draft Decree	14
References	40

List of tables

Tables	
1 Forest carbon rights defined in Victoria, Australia	5
2 International approaches to regulating grievance handling systems	12
3 Detailed comments on the contents of the Draft Decree	14

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1 Introduction

In recent years, Vietnam has positioned itself as a regional pioneer and leader in sustainable forest management and the development of a forest carbon market. With forest cover of 42% and rich biodiversity, the country stands out not only for its natural assets but also for its policy innovation. Vietnam is the first country in Southeast Asia to successfully implement a nationwide Payment for Forest Environmental Services (PFES) programme (Pham et al. 2022; Pham 2025). These achievements reflect Vietnam's strong political will and strategic approach to fulfilling its Nationally Determined Contributions (NDCs), protecting forest ecosystems, enhancing biodiversity, supporting local livelihoods, and responding to climate change (VNFOREST 2025). Thanks to these efforts, Vietnam now ranks among the world's top 40 countries considered attractive for investment in the voluntary carbon market. According to Abatable's 2024 global index, which assesses economic, institutional, and environmental readiness, Vietnam ranks 26th in the world – an impressive signal of the country's growing competitiveness and readiness to engage in international carbon finance (Abatable 2024). To further strengthen Vietnam's commitment to forest protection and the development of its forest carbon market, the Government of Vietnam recently released a draft decree on forest carbon and opened it for public consultation.

To support state agencies with relevant information and scientific evidence during the development and finalization of the Forest Carbon Decree, 23 experts from 16 domestic and international organizations collaborated to review and synthesize key data, experiences, and policy recommendations for this report.

This report analyses the provisions proposed in the Draft Decree on Forest Carbon Sequestration and Storage Services ('the Draft Decree') and provides relevant information as well as scientific evidence in both the global and Vietnamese contexts. The aim is to help policymakers make informed adjustments that align with Vietnam's specific circumstances while positioning the country to proactively respond to emerging trends in the future carbon market. More specifically, to offer up-to-date and practical input for the Draft Decree, the author group conducted a comprehensive review of:

1. global market trends and experiences in the development of forest carbon policies, particularly in the Asian region;
2. international experiences and scientific analyses, including lessons learned from 17 countries that have designed and implemented forest carbon regulations;
3. practical insights drawn from pilot forest carbon projects in Vietnam;
4. the authors' own experiences in designing and implementing forest carbon initiatives, both in Vietnam and internationally.

The collaboration of 16 organizations with extensive experience across the forest carbon value chain – including buyers, sellers, intermediaries for forest carbon financing, financiers, as well as project designers, developers, registrants and operators – ensures that the report offers a multidimensional, up-to-date, and comprehensive perspective. Notably, the involvement of corporations and financial institutions that have actively engaged in forest carbon projects in both Vietnam and globally adds critical insights from the private sector. Their review of the Draft Decree helps highlight the importance of creating effective and attractive investment incentives for future carbon credit buyers. The authors hope this evidence-based report will serve as a valuable contribution to the ongoing development and refinement of Vietnam’s forest carbon policy.

This report is divided into two parts. Part 1 provides a brief overview of the key advantages and important considerations of the Draft Decree. Part 2 presents a detailed analysis of each proposed provision, supported by scientific evidence and insights drawn from the operation of forest carbon markets both globally and in Vietnam.

2 An overview of the Draft Decree

2.1 Breakthroughs and pioneering features of Vietnam's Draft Decree, compared with other countries worldwide

- 1. Vietnam is among the leading countries with dedicated regulations on forest carbon.** Beyond having general carbon market policies, Vietnam stands out as a pioneer with a specific Forest Carbon Policy. Other countries with similar frameworks include Australia (Department of Agriculture, Fisheries and Forestry 2025); Laos (GGGI 2025; Laos News Agency 2024; Tilleke & Gibbins 2025); the Solomon Islands (Pacific Climate Change Portal 2012); Suriname (ClearBlue Markets 2025; Rainforest Coalition 2024); Guyana (Climate Tracker Caribbean 2025); the United Kingdom (UK Woodland Carbon Code 2011; UK Government – Forestry Commission 2025); the United States (Fastmarkets 2025; USDA 2023); Indonesia (Virgy 2025; Reuters 2025); Mexico (Climate Action Reserve 2022; ClimateSeed 2024; International Carbon Action Partnership 2020); Ghana (Climate Change Laws of the World 2022); Honduras (Coalition for Rainforest Nations 2022; Climate Change Laws of the World 2023); Singapore (Straits Times 2025; Eco-Business 2023; Singapore Economic Development Board 2023); Belize (World Bank 2024; Forest Carbon Partnership Facility 2023); Canada (Government of Canada 2023); the Democratic Republic of the Congo (Forest Carbon Partnership Facility 2015); Brazil (Alves et al. 2024; International Carbon Action Partnership 2024); and China (Shuifa et al. 2023; Guo et al. 2024). Having a separate and clear regulation on forest carbon reflects strong political and institutional commitment to this sector. It also builds trust and enhances Vietnam's competitiveness in the international carbon market.
- 2. Opening the door to forest carbon credit trading: Recognition of both domestic and international standards and markets.** A growing global trend is the integration of both domestic and international carbon markets, along with the recognition of multiple carbon standards. Leading forested countries – such as Brazil, Indonesia, the Democratic Republic of the Congo, Canada, and China (Guo et al. 2024; Xiliang et al. 2025) – are all moving in this direction. By aligning with this approach, Vietnam promotes diverse investment mechanisms for forest protection and improved local livelihoods, while strengthening its position as a leader in the international carbon market.
- 3. The Draft Decree not only prioritizes methods to ensure the high environmental integrity of forest carbon credits in Vietnam, but also underscores the importance of social integrity** by establishing key principles, such as publicity, transparency, fairness, efficiency, and the harmonization of interests.
- 4. The Draft Decree clearly defines the roles, functions, and responsibilities of key actors,** enabling stakeholders in forest carbon projects to better understand the implementation process – an area not addressed in Vietnam's general carbon market regulations. It specifies who is eligible to participate in forest carbon projects and outlines the types of transactions that can be conducted, thereby enhancing clarity and operational guidance for all parties.

2.2 Areas requiring further consideration

2.2.1 Updates with new national and international situations

National context. The current draft mentions the Forest Protection and Development Fund (FPDF) as an important agency in operating the forest carbon market. However, it should be noted that some provinces, such as Lao Cai, have merged the FPDF with the Environmental Protection Fund to form the Forest and Environmental Protection Fund, and not all provinces in Vietnam have a FPDF. In relation to this Draft Decree, it is also necessary to clarify the relationship between Decree No. 156/2018/ND-CP of the Government – detailing the implementation of some articles of the Forestry Law – and Decree 91 of 2024.

International context. The operationalization of Vietnam’s Forest Carbon Decree should be closely aligned with ongoing developments in the global forest carbon market – particularly those related to **Article 6 of the Paris Agreement**, including Article 6.2, Article 6.4 and Article 6.8.

The Draft Decree currently lacks specific guidance on how Vietnam will shape its forest carbon market and manage forest carbon projects in a way that anticipates, integrates, and leverages the three mechanisms under Article 6 of the Paris Agreement. Vietnam could look to international examples of countries that have already incorporated forest carbon trading into their legal frameworks within the context of Article 6:

- Laos has explicitly defined forest carbon trading in its Forest Carbon Decree as: *“Forest carbon trading: An agreement between a buyer (domestic or foreign legal entity or government) and a seller (owner of a forest carbon project) to trade tCO₂e. This transaction allows the buyer to offset greenhouse gas emissions in excess of the emission limit set out in the Paris Agreement on Climate Change”* (Tilleke & Gibbins 2025).
- The National Climate Change Secretariat of Singapore is working on two major carbon standard schemes: the Gold Standard and Verra’s Verified Carbon Standard (VCS). Their goal is to create a new protocol to help countries meet their climate targets under Article 6.2 of the Paris Agreement. The newly established Article 6.2 credit protocol will streamline global efforts to reduce emissions and promote sustainable growth (Carbon Credits 2024).
- Suriname has sold 4.8 million forest carbon credits under the Article 6.2 mechanism in the form of ITMOs. While Suriname can use these ITMOs to meet its own NDC targets, companies may also purchase them to offset their climate goals. Suriname is able to issue ITMO forest credits within a few weeks and is selling them in phases to attract investors with government-backed credits that comply with UN guidelines (Carbon Credits 2023).
- Learning from the experience of Suriname and Ghana, Belize is also considering adopting the approach developed by Suriname (Carbon Credits 2023).

In addition, forest carbon trading policies around the world often integrate financial and monetary management measures to prevent money laundering, corruption, and cross-border crime. However, this important aspect has not been addressed in the Draft Decree, unlike in other forest carbon regulations globally. Furthermore, while the Draft Decree refers to the credit issuance process, it does not clearly address a critical component of forest carbon trading: ***the certification system for forest carbon credits that have been used, are considered expired, and therefore cannot be traded. Such credits must be removed from the trading system, and it is necessary to appropriately handle situations where projects or carbon credits have been incorrectly approved, requiring updates or corrections.*** These elements should be incorporated to ensure the integrity and robustness of the legal framework.

2.2.2 Clarifying key provisions to build trust and incentives for private-sector investment in forest protection and development, as well as forest carbon markets, especially for investors aiming at the voluntary carbon markets

Investors and private-sector entities that have developed and implemented forest carbon projects globally, and are interested in investing in Vietnam, have identified several key issues in the Draft Decree that remain unclear but are critical and impactful for investors, including:

a. Forest carbon rights.

The current draft does not define forest carbon nor provide specific guidance on ownership types or the process for transferring forest carbon rights. This remains a major obstacle causing hesitation among both domestic and international investors, who seek clearer guidance on these issues to build confidence in investing in Vietnam. For example, in Laos, *sold forest carbon becomes the property of the buyer* (Tilleke & Gibbins 2025). In the Solomon Islands, forest carbon rights are defined as “*the right of an individual, organization, or group to legal, commercial, or other benefits (now or in the future) from the exploitation of forest carbon*” (Pacific Climate Change Portal 2012). More specifically, forest carbon rights refer to the right to benefit as follows:

- Storing (or sequestering) forest carbon in forests and soils (also known as “stored forest carbon”) involves ‘avoiding’ the release of carbon into the atmosphere, for example by preventing logging or other activities that degrade forests. This allows carbon rights holders to benefit from forest carbon projects.
- Carbon sequestration refers to carbon that will be absorbed by trees and soils in the future. It is the process by which trees absorb carbon through photosynthesis, thereby removing carbon from the atmosphere (also called ‘removal’).

In the Australian state of Victoria, forest carbon rights are clearly defined and regulated to include: (a) carbon sequestration rights; (b) rights to forest trees and vegetation; and (c) rights to soil carbon (see Table 1). Forest carbon rights are also recognized as beneficial interests in land (Victoria Government 2017).

Table 1. Forest carbon rights defined in Victoria, Australia

	Components of forest carbon rights as defined in Victoria, Australia	Rights beyond forest carbon rights
Forest carbon rights are a set of rights	1. Carbon sequestration rights: means an exclusive right to the economic benefits associated with carbon sequestered by vegetation other than vegetation that has been harvested, lopped, or felled.	Forest carbon rights do not mean land-use rights.
	2. Forestry rights include the rights of entry to land for the following purposes: (a) to plant, establish, manage, and maintain vegetation on land; and (b) to take and deal with any vegetation that has been harvested, lopped, or felled.	Forest carbon rights are distinct from landownership rights and do not include rights such as support, access and use; water; electricity; or transportation management.
	3. Soil carbon rights mean the exclusive rights to the economic benefits of carbon sequestered underground, excluding carbon stored within plants.	Forest carbon rights are also not considered as the contracts in which local authorities or other parties grant permission to use a landowner’s land for a specific purpose.

Source: Victoria Government: Chief Parliamentary Counsel. 2017

To own forest carbon rights, there must be a process for verifying and monitoring individuals and organizations that can provide sufficient legal evidence of those rights. For example, in the Solomon Islands (Pacific Climate Change Portal 2012), the required evidence to claim ownership of forest carbon rights involves proof that:

- they own or have legal control over the land;
- they own or have legal control over the forest resources and can provide evidence of management practices aimed at eliminating the drivers and actors likely to cause deforestation and forest degradation (e.g., agreements with parties that may contribute to deforestation);
- they have the right(s) and capacity to manage the land and forests throughout the duration of the project.

In the Australian state of Queensland, the government requires carbon project proponents to obtain official approval, including permits or leases, before carrying out carbon projects on State-owned land (Queensland Government 2023).

In the state of Victoria, Australia, carbon transfers must be conducted as follows:

- In accordance with land law registration procedures, and with clear specification of which carbon rights are being transferred and which are not.
- A person registering this carbon transfer right is not allowed to register MORE THAN ONE carbon right from the following groups: carbon sequestration and removal rights, forestry rights, and soil carbon rights. Additionally, the transfer period cannot be less than three years.
- Registered forest carbon rights cannot be changed.

It is important to clearly define the rights that a forest carbon rights holder has – and those they do not have. For example, in the Solomon Islands, a forest carbon rights holder has the right to: (i) receive or control carbon credits generated by a forest carbon project, and (ii) receive a proportionate share of revenue collected by the national government if a national REDD+ approach is implemented. In Victoria, Australia, forest carbon rights can be established when a person holding forest land rights transfers these rights to another individual. However, if the land is leased, the lessee cannot establish forest carbon rights on the leased land unless the lessor agrees to the establishment of those carbon rights.

b. Clarifying the necessary and sufficient conditions for foreign investors to participate in the purchase and sale of forest carbon credits in Vietnam, as well as clearly defining the roles, responsibilities, and rights (or powers) of forest owners, investors, and intermediaries.

Although the current draft allows both domestic and foreign enterprises to invest in forest carbon services, it does not specify the conditions these enterprises must meet to be legally eligible. By contrast, some countries – such as Laos – have provided clear legal guidance for investors: *To qualify as a forest carbon investor, the following conditions must be met:*

- Be a legally registered company.
- Hold a forest carbon business license issued by the Ministry of Agriculture and Forestry.
- Have experience in forest resource management and biodiversity conservation.
- Demonstrate a commitment to invest in forest management.
- Be technically prepared and have access to the forest carbon market.
- Possess land-use rights or a forest land concession agreement.
- Obtain approval from the Forestry Department to invest in the proposed forest area.

In Australia (Clean Energy Regulator 2024), the parties that are legally eligible to enter into a carbon trading agreement, referred as an ‘Acceptable Third Party,’ must:

- have the legal capacity, power, and authority to become a party to and be bound by the obligations of the Seller under the Contract and the Finance Documents;
- have the financial and technical capability to perform (or cause to be performed) the obligations of the Seller under the Contract and the Finance Documents;

- not be a person (natural, corporate, or governmental) who is sanctioned or connected, directly or indirectly, to any person that is sanctioned under economic and trade sanctions imposed by Australia, the United States of America, the European Union or any other relevant country;
- be in strict compliance (no violations) with anti-money laundering and anti-terrorist financing laws.

In Laos, Regulation No. 4565/MAF on Forest Carbon Management also clarifies that there are two forms of forest carbon trading (Tilleke & Gibbins 2025):

- **Government–development partner cooperation:** Includes bilateral and multilateral cooperation based on international agreements and treaties. The use of carbon credits from this cooperation is not market-based, but agreement-based, and contributes to Laos’s national climate-change goals.
- **Forest carbon investments:** Include direct government investments and joint investments with the private sector, international organizations, or communities. These investments aim to generate forest carbon credits without granting exclusive rights to forest resources. Joint investments are considered partnerships, not land concessions.

Regulation No. 4565/MAF on Forest Carbon Management of Laos also outlines a clear process for proposing a forest carbon project, making it easier for investors to follow. The process includes these steps (Tilleke & Gibbins 2025):

- The investor submits the project document(s) to the Ministry of Agriculture and Forestry through the Department of Forestry (DOF).
- The Department of Forestry reviews the proposal, inspects the project area, and prepares a submission for the Ministry of Agriculture and Forestry to approve a Memorandum of Understanding (MOU).
- Once the MOU is signed by the investor and DOF, the investor must pay a deposit based on the size of the project area: USD 15,000 for areas up to 300,000 ha, and USD 30,000 for areas exceeding 300,000 ha.
- The investor conducts a feasibility study within one year, with a possible one-year extension.
- The Department of Forestry reviews the feasibility study and decides whether to issue a certificate of approval.
- The investor negotiates a Memorandum of Agreement (MOA) and seeks government approval. If the MOA is not executed within 180 working days, the Ministry of Agriculture and Forestry may propose cancellation.

To ensure investor confidence and provide appropriate incentives, the Lao Regulation also clarifies the process of forest carbon trading as follows (Tilleke & Gibbins 2025):

- Forest carbon project registration involves issuing legal certificates to project developers for implementing activities aimed at reducing greenhouse gas emissions from deforestation and forest degradation. This is carried out through bilateral or multilateral cooperation on forest carbon and carbon trading.
- Forest carbon trading can be conducted by allowing project investors to purchase carbon credits directly from the government, with the investment amount deducted in advance from the project. After the transaction is completed, the investor must pay the government a percentage of the total value of forest carbon credits generated by the project and fulfil any other related obligations.
- For forest carbon credits generated from natural forests, the Ministry of Agriculture and Forestry must submit the project to the central government for approval. For credits generated from planted forests, project owners can seek approval directly from the Ministry of Agriculture and Forestry.

c. Provide more detailed guidance on focal agencies within state institutions to reduce information-retrieval costs.

Although the Draft Decree identifies the main state agencies responsible for each area, it would be helpful to more clearly specify the exact units within these agencies that will take primary responsibility. Additionally, sharing contact information and the names of focal points will help investors reduce the time and cost of retrieving necessary information.

d. Provide specific guidance on benefit-sharing mechanisms.

Compared with other countries, the current Draft Decree lacks clear and robust regulations on benefit-sharing mechanisms – particularly those ensuring that local communities, investors, and market-support intermediaries can meaningfully benefit from forest carbon activities.

In the Democratic Republic of the Congo, the government has emphasized the importance of a comprehensive, adequate, and equitable benefit-sharing mechanism. Decree No. 047/CAB/MIN/AAN/MML/05/2018 stipulates that non-compliance with safeguard measures and an equitable benefit-sharing plan will result in the suspension or revocation of project registration certificates and forest carbon credits (Kengoum et al. 2024). Furthermore, Law No. 23/007 dated 3 March 2023, which amends and supplements Law No. 11/009 dated 9 July 2011, clearly mandates that ethnic minority communities, local people, project investors, and project implementers all share in the benefits of forest carbon projects (Kengoum et al. 2024).

In Laos, to encourage increased investment in the forest carbon sector, the Forest Carbon Management Regulation clarifies that benefits from forest carbon activities will be shared between the government and investors or partners. Financial benefits or carbon credits generated from natural or plantation forests located in designated protection forests, conservation forests, or production forests will be shared between the government and project investors or other participants. The government will allocate financial benefits to central and local forestry agencies, as well as to communities and individuals within the project area and surrounding regions, either directly or through specific mechanisms. For plantation forests, benefits are shared between forest owners and the government or other participants (Tilleke & Gibbins 2025). For example, in Namibia, Kenya, and the Democratic Republic of the Congo, forest carbon regulations require project proponents to submit detailed **Benefit Sharing** and **Free, Prior, and Informed Consent** (FPIC) implementation plans and budgets involving local communities when registering a forest carbon project.

Clearly defining the percentage of benefits that must be paid to the state and the community, as well as the portion allocated to investors or project implementers, will help investors to calculate their investment costs. However, the benefit-sharing ratios need to be carefully studied and, importantly, adjusted over time to ensure ongoing consultation and consensus with local people – especially vulnerable groups, such as women, the poor, and ethnic minorities.

e. Specific guidance on financial obligations and responsibilities.

Currently, the draft lacks clear guidance and regulations, particularly regarding obligations and rights related to investment financing.

Financial obligations: Currently, many countries – including the US, Australia, and the UK – are considering whether to apply local taxes to carbon projects implemented within their jurisdictions (Walker 2024). Regarding financial obligations, investors and buyers of carbon credits are particularly concerned about how personal income tax, corporate income tax, and value-added tax policies will be regulated in the context of carbon trading (PricewaterhouseCoopers Indonesia 2024).

In the US, voluntary carbon credits may be tax-deductible under Section 162 of the Income Tax Code if they are considered an ordinary and necessary current expense. Alternatively, they may be capitalized under Section 263 (and related regulations) if regarded as providing a long-term benefit (Cloverly 2023). In the UK, whether an organization or individual can claim a tax deduction for carbon credits depends on whether the purchase is made “wholly and solely for commercial purposes” (Cloverly 2023). For example, if a company uses its carbon credits to promote sales and attract customers, this qualifies as

a commercial purpose, making the purchase tax-deductible. In Australia, purchasing carbon credits is treated as a tax-deductible expense and is also subject to goods and services tax (GST). The Australian Taxation Office has advised that companies can claim a deduction for “costs incurred in planting trees in carbon-absorbing forests,” provided certain conditions are met (Cloverly 2023).

A major concern for businesses investing in forest carbon – especially in the voluntary forest carbon market – is that tax policies can change rapidly, while forest carbon projects typically have long implementation cycles. This mismatch can affect the returns that investors expect to achieve. Another risk arises when new local taxes are introduced on voluntary carbon credits that may fall outside the scope of bilateral or multilateral double taxation treaties. These treaties are designed to protect businesses from being taxed twice on the same profits. However, certain taxes, such as property taxes, are often excluded from these treaties. As a result, investors may face a local tax in the country where the voluntary carbon credit is generated, as well as a different tax on related profits in other jurisdictions (Walker 2024).

To address this issue, some countries, such as Australia, have developed clear financial reporting and tax guidance for businesses participating in the carbon market (Australian Taxation Office 2025). In Australia, income tax related to carbon credits is determined based on specific assessment and deduction provisions (Jones and Toll 2023; Telford et al. 2023).

Financial benefits: The Draft Decree guides the implementation of investment and payment mechanisms according to the contract, with payments made when the seller delivers the product. However, in practice – both globally and in Vietnam – forest owners often prefer to receive payment in advance. While investors are generally willing to pay upfront, there must be clear regulations on managing and securing advance payments to protect investors from risks. The current Draft Decree regulations do not yet establish effective incentive mechanisms to encourage future investments.

f. Provide detailed guidance on *contract-based payments to ensure the implementation of Nationally Determined Contributions* and compliance with strict legal requirements related to carbon trading.

The current Draft Decree aligns with international trends in developing and managing forest carbon credits by providing guidelines on contractual agreements (see Appendix 2 of the Draft Decree). However, to meet the stringent demands of the market, to minimize commercial risks for Vietnam and forest owners – especially when foreign companies are involved – and to avoid legal issues related to carbon trading, it is important to consider adopting internationally recognized contract templates. These templates have been reviewed by legal experts worldwide and are already used by various countries. Examples include the general agreements (GGGI 2023) applied by **Turkey** (Turkish Carbon Market n.d.), the **International Emissions Trading Association** (IETA 2023), **Australia** (Clean Energy Regulator 2024), and **Norway** (Norwegian Ministry of Climate and Environment 2015), as well as agreements between **Gold Standard** and project participants (Gold Standard Foundation 2020), between the **World Bank** and countries (Forest Carbon Partnership Facility 2014), agreements between IETA and countries, as well as the simple and concise contract formats commonly used by parties. Vietnamese companies can also draw on examples such as the Emission Reduction Purchase Agreement between Ecolocap Solutions (Canada) Inc. and Bao Tan Hydro Electric Joint-Stock Company.

According to global carbon trading practices, an economic and commercial carbon contract should include at least the following provisions (ODI n.d.; EKI Energy Services 2025):

- The quantity and price of the emissions reductions to be provided.
- Delivery schedule and payment terms for the emissions reductions.
- Consequences of non-delivery: what happens if the Seller fails to deliver the agreed emissions reductions, including claims the Buyer can make or penalties the Seller must pay.

- Consequences of default: what happens if the Buyer fails to pay for delivered emissions reductions; what happens if the Seller provides incorrect information; and what happens if there is a change in the country's regulatory framework.
- General obligations of the Seller: for example, the Seller's responsibility to carry out verification and certification (to ensure issuance of emissions reductions); to implement the monitoring plan; to operate the project; and to deliver the emissions reductions to the Buyer.
- General obligations of the Buyer: for example, the Buyer's responsibility to set up an account to receive emissions reductions; to make payments; and to coordinate with relevant regulatory authorities.
- Project risks: who is responsible for these risks, and how these risks can be managed.

2.2.3 Clarify and emphasize social standards

Given the increasing market pressure to ensure social safeguards, it is clear that donors, investors, and local communities view national legal frameworks, including Vietnam's, as a key guarantee of these protections. Some potential buyer countries, such as Singapore, have explicitly stated in their carbon regulations that they will only purchase forest carbon credits from countries with legal systems that ensure strong social safeguards (Singapore Economic Development Board 2023).

Although the Draft Decree mentions principles such as equality, fairness, openness, and transparency, it does not clearly reference specific carbon standards or global legal frameworks related to gender equality, or the participation and benefit sharing of local communities and ethnic minorities. Commitments that Vietnam has already made are not clearly stated in the Draft Decree. Providing clearer and more comprehensive definitions of these principles, and explicitly requiring that Vietnam's forest carbon projects comply with these standards, would help build strong trust among all stakeholders.

To ensure the fulfilment of Vietnam's commitments under international principles – such as those of the UNFCCC, REDD+ safeguards, and the requirements of voluntary carbon market standards like Verra (VCS + CCB), Gold Standard, and ART-TREES (Gold Standard Foundation 2025; WEDO 2020) – the Decree should strengthen its commitment to gender equality and the protection of local community rights. This includes explicitly integrating these principles into implementation guidelines, particularly in areas such as benefit sharing; carbon pricing; the monitoring and supervision of forest carbon projects; and the planning and management of forest carbon credits.

The process of meaningful participation through Free, Prior and Informed Consent (FPIC) requires that information about the project and forest carbon credits – such as measurement methods, monitoring costs, the potential positive and negative impacts, project costs, and contract duration – be disclosed in accordance with international standards. Additionally, while the current Draft Decree designates forest owners as the providers of forest carbon services, in practice, this can be complicated by unresolved land disputes and the lack of clearly identified legal forest owners in some areas. In many cases, consensus from local communities has not been fully secured. The Draft Decree should therefore consider practical solutions to address these realities and ensure compliance with both legal and social safeguards.

This also reflects alignment with Vietnam's Decision No. 419 approving the National Programme on greenhouse gas emissions reduction through efforts to reduce deforestation and forest degradation, conserve and enhance carbon stocks, and sustainably manage forest resources by 2030 (Thủ tướng Chính phủ 2017).

- Article 1 of Decision No. 419:
 - The implementation of the REDD+ Program must ensure unified direction, management, and oversight by the State; promote maximum participation and oversight from political, social, and professional organizations, non-governmental organizations, and local communities; and effectively leverage international cooperation mechanisms.

- REDD+ activities aim to address the drivers of deforestation and forest degradation, to mainstream gender, and to apply REDD+ safeguards to ensure the full and effective participation of all stakeholders, including ethnic minorities and women in local communities. These activities must be implemented in accordance with Vietnam's specific conditions and the regulations of the United Nations Framework Convention on Climate Change (UNFCCC), while also taking into account socio-economic efficiency and associated risk factors.
- Develop a mechanism to promote and monitor inter-sectoral cooperation at all levels, with strong linkages to the private sector and public-private partnership models. Encourage the active participation of political, social, and professional organizations, non-governmental organizations, and village communities in the planning, implementation, and monitoring of REDD+ programs and projects.
- Develop a monitoring and evaluation framework for the implementation of the REDD+ Program, and institutionalize the participation rights of ethnic minority communities, forest-dependent communities, and women in the planning and implementation of REDD+ activities.

In addition, supporting a gender-equality monitoring and reporting system – an area of growing interest for carbon standards and international investors – is aligned with existing Vietnamese laws, including the 2006 Law on Gender Equality. This law mandates that all public policies must incorporate gender considerations, establish mechanisms for monitoring, evaluation, and gender impact analysis, and ensure the collection and analysis of gender-disaggregated data.

2.2.4 Clarify monitoring, reporting and verification (MRV) regulations, with an emphasis on the linkage between domestic and international carbon standards.

Stakeholders remain uncertain about the relationship between domestic and international carbon standards and expect the Draft Decree or related national guidelines to clarify the degree of alignment between these standards for forest carbon projects. This clarity is crucial for forest owners to make informed decisions, given the financial implications of credit sales. Some countries in the region have addressed this issue to establish a transparent and fair environment for business participation. For example, in Indonesia, the Ministry of Environment has signed an agreement with Gold Standard, officially recognizing Gold Standard emissions reduction certificates as legitimate and integrating them into Indonesia's official system under Ministerial Regulation No. 21/2022 (Gold Standard Foundation 2025). This allows projects in Indonesia to continue or begin applying for Gold Standard certification in accordance with the Ministry's guidelines and regulations. Furthermore, the Ministry of Environment and Gold Standard have established a working group to harmonize procedures, ensuring the most favourable conditions for businesses.

In 2022, Singapore's National Environment Agency (NEA) and Gold Standard signed a Memorandum of Understanding allowing Singapore-based companies to use Gold Standard carbon credits to partially meet their compliance obligations under Singapore's carbon tax regime (Gold Standard Foundation n.d.).

The Decree should specify or reference methodologies for measuring, reporting, and verifying the amount of carbon absorbed and stored in forests, as this is crucial for ensuring the transparency and credibility of carbon credits. Regarding Form 04-05-06: (1) It is proposed to add criteria such as planting density, forest growth (height, diameter, quality, etc.) to help forest owners better prepare if they wish to participate in forest carbon projects.

2.2.5 Prioritize and encourage large-scale, landscape-level projects to reduce management and investment costs, while giving priority to models managed and owned by local communities.

When the forest carbon market opens to investors, many projects are expected to be registered within the investment and trade licensing system. Mass licensing could result in fragmentation of forest areas and landscapes, while increased management and monitoring costs may strain agencies tasked with overseeing numerous small projects. Encouraging and prioritizing large-scale projects will help reduce transaction and management costs and increase the market's attractiveness to investors. However, to ensure fairness for local communities and forest owners unable to undertake large-scale projects, policymakers should also consider developing support mechanisms and incentives that enable these groups to implement projects independently or collaborate with more capable investors.

2.2.6 Complaints and feedback mechanism

Carbon trading is a financial issue, and disputes often arise during implementation. However, the Draft Decree currently lacks clear provisions on complaints and feedback mechanisms related to the implementation, management, monitoring, and supervision of forest carbon projects. Additionally, policymakers should consider adding or clarifying provisions on handling risks, non-compliance, or natural disaster risks affecting suppliers and service users. Although these aspects are included in the sample contract attached to the Decree, they are not addressed in any specific article or clause within the Decree itself. Given the importance of these provisions – especially for ensuring compliance with social safeguard standards – this mechanism must be accessible to all stakeholders, including women and non-native speakers. Examples of how other countries regulate these issues are provided in the following table.

Table 2. International approaches to regulating grievance handling systems

Country	Regulations on complaints and feedback relating to the forest carbon market
Kenya and Namibia	Legislation on carbon projects establishes a clear system for feedback, complaints, and dispute resolution across different levels.
Indonesia	President's Decision No. 98/2021 on Carbon Pricing – Article 35, Clause 3 , stipulates that the Ministry of Environment must ensure there is a mechanism to respond to and receive complaints from stakeholders involved in carbon activities, including women. It also requires that women have safe access channels, with multiple feedback options and the use of local languages. This regulation clearly mandates that a feedback mechanism is a compulsory component of all carbon projects, and that every project must clarify the process, responsibilities, and channels for receiving feedback.
Mexico	The REDD+ forest carbon regulation provides for both direct and online forms to receive community feedback, and specifically establishes a separate complaint channel to address issues related to gender and ethnic minorities.
Laos	Decree No. 058/PO on Forest Carbon of Laos, Article 23 , establishes a grievance mechanism at both the project and national levels, capable of receiving, handling, and responding to disputes and conflicts related to forest carbon.
Vietnam	The North Central Region Emission Reductions Program provides for the establishment of a Grievance Redress Mechanism (GRM) at the community level, consisting of four levels of resolution, and includes provisions for independent monitoring. Source: Vietnam ER-PD – FCPF, pages 87–89
Vietnam	Law of Environmental Protection (2020) Article 5, Clause 1: Create favorable conditions for agencies, organizations, communities, households, and individuals to participate in the implementation, inspection, and supervision of environmental protection activities.

2.2.7 Specify time frame to ensure market updates

Currently, solutions and regulations are either provided in a fixed form (e.g., carbon pricing) or lack clearly defined time frames (e.g., emissions reduction results). The carbon market is highly dynamic and subject to rapid changes; therefore, time frames should be designed with flexibility to ensure that Vietnam remains updated and can benefit from evolving market conditions. Additionally, the Decree should include a provision outlining a mechanism for periodic review and updates – ideally every two to three years – to revise and refine the Decree based on lessons learned from pilot implementation.

3 Detailed recommendation for the Draft Decree

While Part 2 of this report analyses the Draft Decree's key points that require further consideration, Part 3 and the accompanying table provide detailed analysis of each provision of the Draft Decree, particularly through comparison with international practices and Vietnam's current context. While the authors acknowledge that a Decree cannot resolve every detail, and that further guidance documents may be issued in the future, the critical issues presented in Table 3 should be taken into account to ensure the coherence and comprehensiveness of Vietnam's policy framework. Doing so will also help encourage stronger and more sustained investment commitments in Vietnam in the future.

Table 3. Detailed comments on the contents of the Draft Decree

Contents of the Draft Decree	Key considerations
Article 1. Scope of regulation and applicable subjects	
1. Scope of regulation This Decree sets out the principles, conditions, applicable subjects, forms, and levels of payment; defines the amount of greenhouse gas emissions reduction results and forest carbon credits provided; and regulates the management and use of funds for forest carbon sequestration and storage services.	- The scope of regulation currently refers only to forest carbon credits. However, in practice, carbon credits can also be generated from agroforestry activities, in addition to forest protection and development. Vietnam's Nationally Determined Contribution (NDC) in 2022 acknowledged the role of agroforestry in generating emissions reduction results. Globally, there are already more than 25 small-scale agroforestry carbon credit projects (Acorn Rabobank 2021). However, the Draft Decree does not clearly indicate whether forest carbon credits are defined based on the purpose of forest land use or on the nature of activities that generate carbon credits, including agroforestry. Both domestic and international investors require legal assurance – such as through this Decree – that agroforestry carbon credits are recognized and eligible, to invest confidently in such projects. - In addition, to ensure integrity and alignment with global trends, it is necessary to clarify that forest carbon credits include credits generated from terrestrial forests, mangrove forests, and urban forestry. - The scope of regulation refers to the subjects providing, managing, and using forest carbon sequestration and storage service fees, but does not mention service buyers or intermediaries involved in commercial activities, particularly those targeting the voluntary carbon market. As the carbon market functions through the participation of buyers, sellers, and intermediaries, all of these actors should be clearly defined and regulated in the legal framework.
2. Applicable subjects This Decree applies to state agencies, organizations, households, individuals, and communities involved in the activities specified in Clause 1 of this Article.	- The Draft Decree refers to both domestic and foreign markets; therefore, it is necessary to clarify that the scope of application includes both domestic and foreign organizations and agencies. - While the Decree already includes “communities,” it could be more explicit in identifying specific vulnerable groups (e.g., ethnic minorities, women, people with disabilities, poor households) who may be differently affected or require special support, and more clearly demonstrate a commitment to high social quality standards, as outlined in Decision 419 on the National REDD+ Programme.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 2. Definitions. In this Decree, the following terms are defined as follows:	
1. The result of greenhouse gas emissions reduction in forests is the amount of greenhouse gas emissions reduced and the increase in carbon absorption by forests at a given time compared with a reference time, according to carbon standards (hereinafter referred to as the emissions reduction result). 2. Forest carbon credits are carbon credits issued by the Ministry of Agriculture and Environment or an international standards authority for emissions reductions achieved from forests. 3. Forest carbon sequestration and storage services refer to the emissions reduction results and the corresponding forest carbon credits. 4. Provision of forest carbon absorption and storage services refers to the activities of exchanging and transferring emissions reduction results and forest carbon credits through agreements, contracts, or carbon-trading platforms. 5. An agreement or contract for the exchange and transfer of emissions reduction results and forest carbon credits (hereinafter referred to as the Contract) is a document signed between the supplier (or their representative) and the user (or their representative) of forest carbon sequestration and storage services.	• Clause 1: It is necessary to clarify which carbon standards the emissions reduction results are based on (national standards, international carbon standards, or both). In addition to basing results on carbon standards, it should also be specified whether a State agency must verify or confirm these results. This is important because many current carbon standards face criticism for using inaccurate methods to calculate emissions reduction results, so a third-party or government validation may be required. • Clause 2: To ensure that Vietnam only recognizes and allows the use of high-quality carbon credits in line with Article 6 of the Paris Agreement and the requirements of the Carbon Integrity Commission, policymakers should consider not only defining carbon credits as those issued by the Ministry of Agriculture and Environment and international carbon standards, but also clarifying that international standards must meet the high-quality criteria recognized by the Integrity Council for the Voluntary Carbon Market. While the process for issuing carbon credits under international standards is relatively well defined, the process for issuing forest carbon credits by the Ministry of Agriculture and Environment of Vietnam remains unclear and is not addressed in the current Draft Decree. Therefore, the Draft Decree should include a clear explanation and definition of this process to provide specific guidance for relevant stakeholders. Additionally, it should be clarified that forest carbon credits can be generated from both emissions reductions and carbon removals from forests. • Clause 2: It is recommended to add a clear explanation of the term “forest carbon” to ensure consistency and clarity for all stakeholders. For example, the Laos Forest Carbon Decree defines these terms as follows: ◦ Forest carbon: Carbon dioxide (CO₂) absorbed or removed by forests, measured in tonnes per hectare. ◦ Forest carbon credits: The amount of CO₂ reduced, absorbed, and stored – measured in tonnes of carbon dioxide equivalent (tCO₂e) – achieved through various projects or activities. These credits are verified as having reduced, absorbed, or stored CO₂ to mitigate greenhouse gas emissions. • Vietnam’s Draft Decree should consider adopting similar definitions to ensure legal clarity and alignment.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
6. Forest carbon project implementation refers to the development, registration, measurement, reporting, verification, and issuance of forest carbon credits in accordance with domestic or international carbon standards.	• Section 3. Carbon sequestration and storage services are the result of both emissions reductions and emissions removals from forests (therefore, “emissions removals” should be added). Additionally, emissions reduction results are not equivalent to forest carbon credits, as not all emissions reductions are certified or licensed and therefore cannot be traded as forest carbon credits. To clarify the nature of these services, it may be helpful to refer to commonly used international definitions of forest carbon sequestration and storage, which include: (a) Carbon absorption: Forests absorb CO₂ from the atmosphere and store carbon in tree biomass and soil; (b) Carbon storage: Carbon is stored in forest biomass (trees, leaves, roots) and in soils, contributing to a reduction in atmospheric CO₂; (c) Reduced emissions from preventing and avoiding deforestation and forest degradation; (d) Sustainable forest management: Proper forest management enhances and maintains forests’ capacity to sequester and store carbon over time. • Clause 5. Article 4 of this Draft Decree refers to both domestic and foreign organizations as well as individuals. Therefore, Clause 5, which addresses agreements, should also clarify that such agreements may be signed between domestic organizations and individuals, or between domestic and foreign organizations and individuals. However, since these activities and contracts take place within the territory of Vietnam, there must be clear regulations stating that Vietnamese-language contracts shall be considered the official contracts. Specific contract templates should also be provided to guide domestic and foreign parties in conducting such transactions. In addition, Clause 5 refers to Buyers (or their representatives) and Sellers (or their representatives). In practice, however, many entities act as intermediaries without representing either party. For example, a forest owner may sign a contract with a project developer, or an individual may sell credits to a carbon credit wholesaler. Therefore, the Decree should include specific provisions governing such intermediaries. • Clause 6: The process of implementing forest carbon projects should be clarified as follows: “It is the process of developing, appraising, and registering projects with domestic or international carbon credit organizations or entities; and periodically measuring, reporting, verifying, and issuing carbon credits in accordance with domestic or international carbon standards.” In addition, to provide more specific guidance on the types of forest carbon projects implemented and to meet the full process of issuing and managing forest carbon credits, it should be further clarified as follows: ◦ Implementing forest carbon projects includes the development of afforestation and reforestation projects, sustainable forest management, reducing greenhouse gas emissions from deforestation and forest degradation (REDD+), agroforestry, and mangrove blue carbon projects.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
	◦ It also includes the registration, measurement, reporting, appraisal, and issuance of forest carbon credits, and issuance retirement of forest carbon credits certificates, in accordance with domestic or international carbon standards. Special attention should be given to the issuance of retired or used forest carbon credit certificates to prevent double counting or reporting. • Propose amending the term “emissions reduction” to “greenhouse gas emissions reduction” to ensure consistency with existing laws and decrees, as well as with the terminology used throughout this Draft Decree (e.g., Article 10). • This document frequently refers to forests owned by the entire population; therefore, Article 2 should include a clear definition of this term to ensure all parties, especially foreign investors, fully understand its scope. Need to clarify the forest carbon right The current Draft Decree does not provide a definition of forest carbon or specific guidance on ownership types and the process for transferring forest carbon rights. This remains a major barrier that discourages both domestic and international investors from entering the sector. Investors are seeking clearer guidance on this issue to build confidence in investing in Vietnam. For example, in Laos, <i>once forest carbon is sold, it becomes the property of the buyer</i> (Tilleke & Gibbins 2025). In the Solomon Islands (Pacific Climate Change Portal 2012), forest carbon rights are defined as “<i>the right of an individual, organization, or group to a legal, commercial, or other benefit – present or future – from the use of forest carbon.</i>” More specifically, this includes the right to benefit as follows: • Storing forest carbon in forests and soils involves “avoiding” the release of carbon into the atmosphere – for example, by preventing logging or other forest-degrading activities – thereby allowing carbon rights holders to benefit from forest carbon projects. • Carbon removal/sequestration refers to carbon that will be absorbed by trees and soils in the future. Sequestration is the process by which trees remove carbon from the atmosphere through photosynthesis, commonly referred to as “removal.” In the Australian state of Victoria (Victoria Government 2017), forest carbon rights are clearly defined and regulated to include: (a) carbon sequestration rights; (b) rights to forest trees and vegetation; and (c) rights to soil carbon (see Table 1). Forest carbon rights are also recognized as beneficial interests in land.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
	To own forest carbon rights, there must be a process to verify and monitor that individuals or organizations possess sufficient legal evidence of such rights. For example, in the Solomon Islands (Pacific Climate Change Portal 2012), the required evidence to own forest carbon rights includes: • ownership or legal control over the land; • ownership or legal control over the forest resources, along with proof of management practices that can eliminate causes and actors likely to lead to deforestation and forest degradation (e.g., agreements with parties that may cause deforestation); • assurance of the right and capability to manage the land and forest throughout the project implementation period. In the Australian state of Queensland, the government requires carbon project proponents to obtain official approval – including permits or leases – before carrying out carbon projects on State-owned land (Queensland Government 2023). In the state of Victoria, Australia, carbon transfers must be conducted as follows: • In accordance with land law registration procedures, and with clear specification of which carbon rights are being transferred and which are not. • A person registering this carbon transfer right is not allowed to register MORE THAN ONE carbon right from the following groups: carbon sequestration and removal rights, forestry rights, and soil carbon rights. Additionally, the transfer period cannot be less than three years. • Registered forest carbon rights cannot be changed. It is important to clearly define the rights that a forest carbon rights holder has – and the rights they do not have. For example, in the Solomon Islands, a forest carbon rights holder has the right to: (i) receive or control carbon credits generated by a forest carbon project, and (ii) receive a proportionate share of revenue collected by the national government if a national REDD+ approach is implemented. In Victoria, Australia, forest carbon rights can be established when a person holding forest land rights transfers these rights to another individual. However, if the land is leased, the lessee cannot establish forest carbon rights on the leased land unless the lessor agrees to the establishment of those carbon rights.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 3. Principles for providing forest carbon sequestration and storage services	
1. The provision and use of forest carbon sequestration and storage services must ensure transparency, accountability, and a balance of interests among the State, forest owners, and relevant stakeholders. 2. The provision of these services must not conflict with Vietnam's international commitments to greenhouse gas emissions reductions. 3. Emissions reduction results and forest carbon credits that have been exchanged or transferred under contracts or on carbon trading platforms must not be further exchanged or transferred by the supplier to other users. 4. Revenue generated from the exchange and transfer of emissions reduction results and forest carbon credits belongs to the forest owner and must be used to support forest protection and development activities. 5. Cooperation among parties in implementing forest carbon projects and sharing benefits from the exchange and transfer of emissions reduction results and forest carbon credits is encouraged.	• Clause 1. The provision and use of services need to clarify the parties involved when requiring not only the harmonization of interests between the State and forest owners, but also including businesses, local communities, women, and ethnic minorities (because these groups of people are not always the forest owner and are often overlooked). • Clause 1 may also be supplemented to clarify the principle that the provision and use of forest carbon sequestration and storage services must ensure additionality, prevent leakage, and avoid causing negative impacts on the environment, biodiversity, society, or the rights and interests of local communities, while contributing to sustainable development. • Clause 2. Regulations on the purchase and exchange of forest carbon credits must be based on the operation of the national registration system for GHG emissions quotas and carbon credits, as well as the operation of the carbon trading floor. • Clause 3. Although this provision aims to prevent the double sale and reporting of carbon credits, it raises significant concerns for businesses interested in investing in this activity. Forest owners may sign agreements with project proponents or intermediaries, all of whom are involved in the investment and intend to resell the carbon credits generated from the project. However, under this provision, the project proponent or intermediary would be unable to resell the credits, which could pose a major obstacle and reduce the attractiveness of the Vietnamese market. Therefore, policymakers need to consider this issue carefully. • Clause 4. This provision states that the revenue and benefits from the exchange and trade of forest carbon credits belong solely to the forest owners and are neither shared with, nor allocated to, project investors, project proponents, or intermediaries. The absence of revenue sharing with relevant investors may not provide sufficient financial incentive for private-sector investment in this field. Additionally, it is important to clarify that the revenue should be used to ensure the sustainability of the forest carbon project throughout its duration, long enough to generate credible credit products. For example, many countries require projects to report on how revenue will be allocated to maintain the forest carbon cycle for up to 50 years. This measure helps prevent projects from focusing solely on short-term financial gains at the expense of long-term sustainability. • Clause 5. It is necessary to clarify the benefit-sharing mechanism here, including sharing of environmental, economic, and social benefits. • This implementation principle does not emphasize biodiversity, which is a key concern for the international market and is required for compliance with Vietnam's Law on Biodiversity.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
	- Although Clause 1 emphasizes the principles of “publicity, responsibility, and harmony of interests,” it does not highlight the rights of community members or the requirements for gender mainstreaming. Proposal: Add the principle of gender equality and safety to ensure gender equality and protect the rights of the community – including men, women, and vulnerable groups – in compliance with Clauses 1 and 2 of Article 3 in Circular 17/2014/TT-BTP-VN on mainstreaming gender equality in the development of legal documents. Some neighbouring countries, such as Laos, also apply this principle in their Forest Carbon Decree. For example, Decree No. 058/PO of Laos (issued 7 March 2023) includes Article 5 (Clause 3) and Article 11, which regulate the right to participate; the right to free, prior and informed consent (FPIC); equity rights; and the protection of local communities’ and Indigenous Peoples’ rights. - To ensure adequate benefit-sharing mechanisms, the following solutions implemented by other countries may be considered: - Paraguay’s Forest Carbon Regulation No. 7190 (2023) on the Ownership and Registration of Carbon Credits includes provisions to protect vulnerable communities by <i>exempting indigenous community-owned projects from registration fees (Article 16)</i>. Laos’s Decree No. 058/PO includes Article 17, which sets out general rules for the management and development of carbon credit projects, explicitly “encouraging the participation of local communities and Indigenous Peoples in the management and development of carbon credit projects.” - Article 28 of the same decree prohibits any actions that infringe upon the legitimate rights and interests of these communities in the context of carbon credit activities. - Indonesia’s Presidential Regulation No. 98/2021 on Carbon (Source: <i>Perpres 98/2021</i>, Article 26, Page 30) requires low-emissions organizations to distribute benefits in a fair, transparent, and participatory manner. - In Mexico, Article 79 of the Climate Change Regulation (2012) mandates that benefit-sharing mechanisms prioritize Indigenous Peoples and local communities that contribute to greenhouse gas emissions reductions. - Vietnam’s legal framework also reflects these principles. The Forestry Law (2017), Articles 62 and 63, outlines the rights and obligations of organizations, households, individuals, and communities assigned to manage forests. The 2006 Law on Gender Equality (Articles 11 and 12) mandates gender mainstreaming in law and policymaking. Furthermore, Vietnam’s National Strategy on Gender Equality 2021–2030 promotes gender integration in environmental and climate change initiatives, with specific indicators: the “proportion of women participating in decision making and benefiting from environment and climate programmes.”

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
	◦ Some countries go further by establishing clear community reinvestment thresholds. For instance, Zimbabwe requires that at least 25% of revenue from carbon projects be reinvested into local communities. Compared with other countries, the current Draft Decree lacks clear and robust provisions on benefit-sharing mechanisms, particularly those that ensure equitable benefits for local communities, investors, and market intermediaries. For example, in the Democratic Republic of the Congo, the government underscores the importance of a comprehensive, adequate, and equitable benefit-sharing framework. Decree No. 047/CAB/MIN/AAN/MML/05/2018 stipulates that failure to comply with safeguard measures and equitable benefit-sharing plans may lead to the suspension or revocation of project registration certificates and forest carbon credits (Kengoum et al. 2024). Furthermore, Law No. 23/007 dated 3 March 2023, which amends and supplements Law No. 11/009 dated 9 July 2011, on the basic principles of environmental protection, explicitly requires that ethnic minority communities, local populations, project investors, and implementing parties all share in the benefits of forest carbon projects (Kengoum et al. 2024). In Laos, to encourage greater investment in the forest carbon sector, the Forest Carbon Management Regulation clearly states that benefits from forest carbon activities must be shared between the government and investors or partners. Financial benefits or carbon credits generated from natural or plantation forests located in protection, conservation, or production forest areas are to be distributed between the government and project investors or other participants. The government will allocate these benefits to central and local forestry authorities, as well as to communities and individuals within the project and surrounding areas, either directly or through specific mechanisms. In the case of plantation forests, benefits are shared between forest owners and the government or other stakeholders (Tilleke & Gibbins 2025). Similarly, in countries such as Namibia, Kenya, and the Democratic Republic of the Congo, forest carbon regulations require project proponents to submit detailed benefit-sharing plans and FPIC implementation plans and budgets as part of the project registration process. Clearly defining the percentage of benefits allocated to the state, the community, and the investor or project implementer will help investors more accurately estimate their investment costs. However, the benefit-sharing ratios must be carefully studied and, more importantly, periodically reviewed and adjusted. This process should ensure meaningful consultation and consensus, particularly with vulnerable groups, such as women, low-income households, and ethnic minorities.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 4. Service providers and users	
1. Service providers include: a. Forest owners specified in Article 8 of the Forestry Law; b. Commune-level People's Committees and other organizations assigned by the State to manage forests in accordance with the provisions of law. 2. Service users include: a. Greenhouse gas-emitting facilities that have been allocated emissions quotas under Decree No. 06/2022/ND-CP dated 7 January 2022 of the Government on greenhouse gas emissions reduction and ozone layer protection, as amended and supplemented by Decree No. 119/2025/ND-CP dated 9 June 2025; b. Foreign organizations and individuals, in accordance with Vietnamese law; c. Domestic organizations and individuals not covered under Point (a) of this Clause, who wish to voluntarily use emissions reduction results and forest carbon credits to reduce their greenhouse gas emissions.	- Article 4 identifies eligible forest owners (including organizations, households, individuals, and communities) and allows for the transfer of rights to legal entities. However, the legal forms and registration requirements for foreign project developers remain unclear. To guide and attract foreign investment, it is necessary to clarify whether a legal entity must be registered in Vietnam in order to operate as a project developer or implement a forest carbon project. In practice, many international NGOs and project developers have played an important role in supporting the development of the carbon market; therefore, their roles and the regulations governing what they are permitted, and not permitted, to do should be clearly defined. - Clause 1(a) stipulates that forest owners are service providers. However, in reality, many forest owners lack the technical or financial capacity to provide services independently and must collaborate with project developers. Thus, the definition should be broadened to reflect market realities. - It is also essential to clearly define the conditions under which foreign buyers participating in the voluntary carbon market may be permitted to implement and trade carbon credits. - Furthermore, the Decree should specify the circumstances under which foreign buyers are allowed to own, issue, and sell carbon credits, and how these rights differ when applied under domestic versus international standards. - For Clause 2(b), it is necessary to explicitly reference which specific legal regulations apply to foreign organizations and individuals under Vietnamese law.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 5. Conditions for providing forest carbon sequestration and storage services	
1. A service provider must meet the following conditions: a. Implement a forest carbon project in accordance with the provisions of the law; b. Fulfil obligations related to the contribution of emissions reduction results and financial responsibilities in accordance with legal regulations; c. Provide services through a formal contract or via the domestic carbon-exchange platform; d. Emissions reduction results and forest carbon credits may only be exchanged or transferred after the quantity has been officially determined by a competent state agency in accordance with legal provisions. 2. A service user must meet the following conditions: a. Operate in accordance with Vietnamese law; b. Fulfil the terms of the contract or comply with the regulations of the domestic carbon-exchange platform; c. Fulfil all related financial obligations as prescribed by law.	• Clause 1(a). Additional proposal: Implement forest carbon projects in accordance with applicable national and international laws and standards. • Clause 1(b). It is necessary to clarify which legal provisions must be followed to fulfil financial obligations. For example, are taxes levied when participating in forest carbon trading? This is particularly important for foreign enterprises, which must comply with both emissions-reduction and financial-contribution obligations. • Clause 1(c). The framework for guiding contractual agreements and the reporting system for these contracts should be clarified to ensure effective state supervision. Moreover, even when transactions take place on the exchange platform, a sales contract between the buyer and seller remains necessary – this should be explicitly stated. It would also be helpful to specify the contracts for projects targeting the voluntary market, while the transactions conducted via the domestic exchange platform can be treated as domestic market contracts. • Clause 1(c). While other parts of the Decree recognize both domestic and international carbon standards and markets, this section only acknowledges domestic exchanges. To ensure consistency, both domestic and international transactions should be recognized. Provisions should be supplemented in accordance with national and international laws and standards. • Clause 1(c). It is necessary to ensure that the service provider has the capacity to develop and implement a monitoring, supervision, and verification system based on an approved methodology. The provision of forest carbon sequestration and storage services must ensure additionality; avoid negative impacts on the environment, society, and the rights and interests of local communities; and contribute to environmental integrity and sustainable development. It is recommended to include a requirement for registration with the National Registration System (Decree 119/2005). • Clause 1(d). If projects have already been certified by international carbon standards, is it necessary for a state agency to re-verify them? Implementing two verification mechanisms may increase transaction costs and raise concerns among investors. It is important to clarify which legal regulations apply. Additionally, it should be clearly stated that the <u>amount of emissions reduction results and forest carbon credits may only be exchanged or transferred after a competent state agency has VERIFIED AND ISSUED the emissions reduction results or forest carbon credits in accordance with the law.</u> • Clause 5.2 should be clarified to explicitly include both domestic and international service users. • Clause 2(b) should specify that if projects have been recognized by international carbon standards, they must comply with the requirements of those international standards. • Clause 2(c) needs to clarify what financial obligations are required and under which specific regulations they are governed.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
	Although the current draft allows both domestic and foreign enterprises to invest in forest carbon services, it does not clearly specify the legal requirements these enterprises must meet to be eligible. Some countries, such as Laos, have clearly outlined such requirements in their legislation to better guide investors. For example, to invest in forest carbon in Laos, enterprises must meet the following conditions: • Be a legally registered company. • Possess a forest carbon business licence issued by the Ministry of Agriculture and Forestry. • Have experience in forest resource and biodiversity management. • Demonstrate a clear commitment to invest in forest management. • Be technically capable and have access to the forest carbon market. • Hold land-use rights or have forest land-concession agreements. • Obtain permission from the Forestry Department to invest in the proposed forest area. In Australia (Clean Energy Regulator 2024), parties are considered legally eligible to enter into a carbon trading contract if they: • have the legal capacity, power, and authority to become a party to and be bound by the obligations of the Seller under the Contract and the Finance Documents; • have the financial and technical capability to perform (or cause to be performed) the obligations of the Seller under the Contract and the Finance Documents; • are not a person (natural, corporate, or governmental) that is sanctioned or is connected, directly or indirectly, to any person that is sanctioned under economic and trade sanctions imposed by Australia, the United States of America, the European Union, or any other relevant country; and • are in full compliance with, and not in violation of, anti-money laundering and counterterrorism financing laws. In Laos, Regulation No. 4565/MAF on Forest Carbon Management also clarifies that there are two forms of forest carbon trading (Tilleke & Gibbins 2025): • Government–development partner cooperation: Includes bilateral and multilateral cooperation based on international agreements and treaties. The use of carbon credits from this cooperation is not market-based, but agreement-based, and contributes to Laos’s national climate-change goals. • Forest carbon investments: Include direct government investments and joint investments with the private sector, international organizations, or communities. These investments aim to generate forest carbon credits without granting exclusive rights to forest resources. Joint investments are considered partnerships, not land concessions.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
	Regulation No. 4565/MAF on Forest Carbon Management of Laos also outlines a clear process for proposing a forest carbon project, making it easier for investors to follow. The process is as follows (Tilleke & Gibbins 2025): • The investor submits the project document(s) to the Ministry of Agriculture and Forestry through the Department of Forestry (DOF). • The Department of Forestry reviews the proposal, inspects the project area, and prepares a submission for the Ministry of Agriculture and Forestry to approve a Memorandum of Understanding (MOU). • Once the MOU is signed by the investor and DOF, the investor must pay a deposit based on the size of the project area: USD 15,000 for areas up to 300,000 ha, and USD 30,000 for areas exceeding 300,000 ha. • The investor conducts a feasibility study within one year, with a possible one-year extension. • The Department of Forestry reviews the feasibility study and decides whether to issue a certificate of approval. • The investor negotiates a Memorandum of Agreement (MOA) and seeks government approval. If the MOA is not executed within 180 working days, the Ministry of Agriculture and Forestry may propose cancellation. To ensure investor confidence and provide appropriate incentives, the Laos Regulation also clarifies the process of forest carbon trading as follows (Tilleke & Gibbins 2025): • Forest carbon project registration involves issuing legal certificates to project developers for implementing activities aimed at reducing greenhouse gas emissions from deforestation and forest degradation. This is carried out through bilateral or multilateral cooperation on forest carbon and carbon trading. • Forest carbon trading can be conducted by allowing project investors to purchase carbon credits directly from the government, with the investment amount deducted in advance from the project. After the transaction is completed, the investor must pay the government a percentage of the total value of forest carbon credits generated by the project and fulfil any other related obligations. • For forest carbon credits generated from natural forests, the Ministry of Agriculture and Forestry must submit the project to the central government for approval. For credits generated from planted forests, project owners can seek approval directly from the Ministry of Agriculture and Forestry. Currently, the guidelines and regulations in the Draft are unclear, particularly regarding the rights and obligations related to investment financing.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
	Financial obligations: Many countries are currently considering whether to impose local taxes on carbon projects implemented within their jurisdictions (Walker 2024). Investors or buyers of carbon credits are particularly concerned about how personal income tax, corporate income tax, and value-added tax will be applied in the context of carbon trading (PwC Indonesia 2024). In the United States, voluntary carbon credits may be tax-deductible under Section 162 of the Internal Revenue Code if they are considered ordinary and necessary business expenses. Alternatively, they may be capitalized under Section 263 and other applicable regulations if they are deemed to provide long-term benefits (Cloverly 2023). In the United Kingdom, whether an organization or individual can claim a tax deduction for carbon credits depends on whether the purchase is made “wholly and exclusively for commercial purposes” (Cloverly 2023). For example, if a company uses carbon credits to promote sales or enhance its brand image, the expense may qualify as tax-deductible. In Australia, the purchase of carbon credits is considered a tax-deductible expense and is also subject to the Goods and Services Tax (GST). The Australian Taxation Office advises that businesses may claim deductions for “expenses incurred in planting trees in carbon-absorbing forests,” provided specific conditions are met (Cloverly 2023). A major concern for businesses investing in forest carbon – especially in the voluntary forest carbon market – is that tax policies can change rapidly, while forest carbon projects typically have long implementation cycles. This mismatch can significantly impact the returns that investors expect to achieve. Additionally, the introduction of new local taxes on voluntary carbon credits poses another risk: such taxes may fall outside the scope of bilateral or multilateral double taxation treaties, which are designed to protect businesses from being taxed twice on the same income. For example, property taxes are often excluded from these treaties, meaning investors could face taxation both locally – where the voluntary carbon credit was generated – and in other jurisdictions on related profits (Cloverly 2023). To address this issue, some countries, such as Australia, have developed clear financial reporting and tax guidelines for businesses participating in the carbon market (Australian Taxation Office 2025). In Australia, income tax related to carbon credits is determined based on specific assessment and deduction provisions (Jones and Toll 2023; Telford et al. 2023). Financial benefits: The Decree provides guidance on investment and payment mechanisms according to contracts, specifying that payment is made when the seller delivers the product(s). However, in practice – both globally and in Vietnam – forest owners often prefer to receive advance payments. While investors may be willing to pay upfront, clear regulations are needed to manage and secure these prepayments to mitigate investor risks. The current Draft Decree lacks incentive mechanisms to encourage future investment from investors. Both service providers and users need to ensure the conditions for service provision throughout the life cycle of the forest carbon credit project.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 6. Forms of payment	
1. Direct payment The service user makes a direct payment to the service provider in accordance with the contract or the operational mechanism of the domestic carbon-trading platform. 2. Indirect payment The service user makes a payment to the service provider through the Forest Protection and Development Fund, based on a contract between the representative of the service provider – being the competent state agency as specified in Point (b), Clause 1, Article 8, and Points (b) and (c), Clause 1, Article 9 of this Decree – and the service user.	• How to clarify contracts with international buyers • Clarify tax obligations and foreign currency payments for payments from international buyers • Confirm the legal feasibility of emissions reduction purchase agreements under Vietnamese law. If these agreements refer to the transfer of use rights and ownership of credits by forest owners, are they recognized in the Vietnamese legal system so that they can resell to others? • Clarify whether upfront investment from private buyers is allowed and how this investment is protected. • According to the Draft Decree, there will be three forms of buying and selling, exchanging forest carbon credits through (i) direct contracts, (ii) a carbon-trading platform (still through the contract mechanism); and (iii) the Forest Protection and Development Fund. However, it is unclear how these three systems will be connected and managed to ensure that the national management system does not overlap, complicate the management of forest carbon credits, reduce transparency, and cause difficulties in tracing the origin of credits. • It should be noted that, in some provinces such as Lao Cai, the Environmental Protection Fund and the Forest Protection and Development Fund have merged, so the Decree needs to be updated.
Article 7. Payment levels	
1. The payment level refers to the price for the exchange or transfer of one ton of carbon dioxide (CO₂) or one forest carbon credit, calculated in Vietnamese dong or other foreign currencies. 2. The pricing for the exchange or transfer of forest carbon sequestration and storage services for forests owned by the entire population shall be determined as follows: a. The Ministry of Agriculture and Environment shall issue guidelines on the pricing methodology for forest carbon sequestration and storage services. b. The Provincial People's Committees shall issue a price list for forest carbon sequestration and storage services applicable to forests under their local management, based on the Ministry's guidance. c. These prices shall serve as the basis for determining the starting price on the domestic carbon-trading platform or for conducting auctions prior to signing contracts, in accordance with the law.	It is necessary to clarify the payment levels for two separate commercial cases: transactions conducted in the domestic market and those in foreign markets. For the domestic market: • The carbon market and forest carbon prices are highly volatile. Therefore, it is important to apply price levels for a limited period (e.g., 2–5 years), after which prices should be updated to reflect current market conditions. For example, in Canada, the provincial government set a carbon credit floor price of CAD 65/tCO₂e in 2023, which is scheduled to increase to \$170 by 2030. • While provinces may issue service price lists tailored to local contexts, there should be a nationwide floor price to prevent price undercutting. For instance, the government of Ghana has implemented a national minimum floor price framework that all parties must follow. • Regarding Clause 2(c), allowing each provincial People's Committee to set its own service price list could complicate the management of the domestic carbon market. Fixing selling prices may hinder competition among projects and limit the potential for carbon credit prices to increase. Therefore, it is recommended to establish only a floor price, while allowing actual carbon credit prices to follow market principles and dynamics. For the foreign markets: • The international market will determine the carbon price, and in principle, projects will compete to secure higher payment levels. Additionally, it is important to clarify whether investors and project buyers in the international market are required to follow the price set by the Provincial People's Committee, or if that price is intended for reference purposes only.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
For exchanges or transfers involving emissions reductions and forest carbon credits that span two or more provinces/cities, the starting price shall be the highest among the price lists issued by the relevant Provincial People's Committees. In cases where pricing methods and price lists have not been established, the Ministry of Agriculture and Environment shall negotiate and report to the Prime Minister for a final decision on the specific price. 3. The application of the pricing regulations set out in Clause 2 of this Article is encouraged for determining carbon prices for production forests, specifically planted forests owned by organizations, households, individuals, and communities – as stipulated in Clause 2, Article 7 of the Forestry Law.	• Clause 2(b): In practice, it will be challenging for the Provincial People's Committee to issue a single price list for forest carbon credits, as actual prices depend on factors such as project scale, complexity, and associated social and environmental benefits. For example, a large-scale monoculture project will typically have a much lower carbon price than a small-scale project involving community participation and aimed at biodiversity conservation. Similarly, credits generated from rich natural forests will command significantly higher prices than those from degraded or plantation forests. To accurately reflect the true value of different types of credits, a tiered pricing system should be considered. Offering differentiated prices that highlight high-quality credits – those with strong biodiversity outcomes and active community involvement – can incentivize investors to prioritize such areas. • Pricing also needs to clearly reflect the willingness of forest owners to provide services, ensuring that the amount they receive matches the effort they put in. Therefore, organizations responsible for pricing forest carbon sequestration and storage services should develop pricing methods and price lists in consultation with the community, with input from both men and women, especially local ethnic minorities.
Article 8. Implementation of forest carbon projects according to domestic carbon standards	
1. For forests owned by the entire population: a. The forest owner is the organization that implements the forest carbon project or cooperates with other forest owners to implement the project. b. The Provincial People's Committee acts as the representative of the project developer for forest carbon projects covering the entire forest area within the province's administrative boundaries.	• Article 8 currently outlines only the responsibilities of forest owners in implementing carbon projects. However, in practice, it is essential to also define the roles of other relevant parties – such as the project proponent, implementing agency, and intermediaries – to provide clarity for investors and supporting non-governmental organizations. It should be clearly stated that the project implementing party may be the forest owner or another qualified entity. • It is recommended to add a definition of “forests owned by the entire population” in Article 2 (Definitions) to ensure that foreign investors clearly understand the scope and applicability of the regulation. • Clause 1(a) is unclear and needs further explanation. Additionally, if two forest owners are organizations located in different provinces but have adjacent forest areas, can they combine their efforts to implement a large-scale forest carbon project? If so, how will this be managed? • Clause 1(b) raises questions about the forms of investment and funding for project development, appraisal, verification costs, and the distribution of revenue from carbon credit sales for projects managed by the Provincial People's Committee. Additionally, is having the Provincial People's Committee as the project owner an appropriate model for the domestic carbon market?

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
c. If the forest owner is an organization, household, individual, or community that owns production forests consisting of planted forests interspersed with, or adjacent to, the forest area of a carbon project implemented by the Provincial People’s Committee, the forest owner must commit to participating and submit a confirmation document using the form provided in Appendix I of this Decree. 2. For forests not owned by the entire population: a. The forest owner is an organization that either implements the forest carbon project directly, cooperates with other forest owners, or authorizes a legally recognized organization to implement the project. b. If the forest owner is a household, individual, or community, they may authorize a legally recognized organization to implement the forest carbon project on their behalf. 3. The documentation and procedures for implementing forest carbon projects shall comply with the provisions of Decree No. 06/2022/ND-CP dated 7 January 2022, issued by the Government on greenhouse gas emissions reduction and ozone layer protection, as amended and supplemented by Decree No. 119/2025/ND-CP dated 9 June 2025.	• If a project developer wants to implement a project that includes both forests owned by the entire population (referred to here as “large forest owners”) and forests not owned by the entire population (“small forest owners”) in order to create opportunities for small forest owners to participate and benefit at minimal cost, how should this be managed? The current Draft Decree addresses each case separately but does not provide guidance for combined projects. • It is proposed to consider categorizing priority levels or project recommendations based on the estimated “amount of credits generated” (where feasible) to prevent an excessive number of small-scale project registrations. • It is proposed to amend the regulations uniformly in accordance with Clause 2 of Article 9, which allows forest owners to implement forest carbon projects themselves, cooperate with other forest owners, or authorize legally recognized organizations to carry out the projects. Since all forest owners who do not fall under the category of “forests owned by the entire population” possess the legal capacity to implement, cooperate, or authorize the use of their carbon rights, and are capable of meeting international standards, the same flexibility should be applied under national standards. This proposal is consistent with the goal of “creating a favourable legal framework... and simplifying administrative procedures...” Additionally, it is important to clarify what qualifies as a “legal entity” to allow forest owners to confidently and proactively delegate project implementation. • Furthermore, the Decree should include provisions to supplement the process for assessing and recognizing forest carbon projects that comply with national and international standards, including appraisal procedures, the competent approval authorities, and the validity period of such recognition. • There are currently no provisions ensuring the participation of local communities – including men, women, and representatives of vulnerable groups – in benefit sharing, project development, and implementation. It is necessary to supplement the regulations with specific requirements for consultation with local communities and vulnerable groups.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 9. Implementation of forest carbon projects according to international carbon standards	
1. For forests under the ownership of the entire population: a. Forest owners may implement forest carbon projects themselves or cooperate with other forest owners to do so. b. The Provincial People's Committee shall represent the supplier in implementing forest carbon projects for the entire forest area within the administrative boundaries of the respective province or city. c. The Ministry of Agriculture and Environment shall represent the supplier in implementing forest carbon projects that cover forest areas across two or more provinces or centrally governed cities. 2. For forests not under the ownership of the entire population: Forest owners may implement forest carbon projects themselves, cooperate with other forest owners, or authorize legally recognized organizations to implement the projects on their behalf.	• Clause 1(a) allows forest owners to cooperate with other forest owners or third parties – e.g., project proponents or intermediaries – to implement forest carbon projects. However, it is important to clarify how carbon credit ownership will be allocated in cases where the project development, verification, and associated costs are borne by private entities, while the land is managed by the State. • Clause 2 should clarify how legally recognized organizations are allowed to implement forest carbon projects, and under which regulations their legal status must be ensured. • There are no provisions ensuring the participation of communities – including men, women, and representatives of vulnerable groups – in benefit sharing, project development, and implementation. It is necessary to add regulations requiring consultation with local communities and vulnerable groups. • In addition, forest carbon-trading policies around the world are often linked to financial management frameworks to prevent money laundering, corruption, and cross-border crime. However, this aspect has not yet been addressed in the Draft Decree, unlike similar regulations in other countries. Furthermore, while the draft refers to the credit issuance process, it does not clearly include a critical element of forest carbon trading: <i>a certification system for credits that have been used, are considered expired, and can no longer be traded, therefore must be removed from the trading system</i>. These components are essential to ensure the accountability and overall integrity of the legal framework, and they should be incorporated into the Decree.
Article 10. Determination of emissions reduction results and forest carbon credits from forest carbon projects	
1. Allocation of Nationally Determined Contributions (NDCs) to greenhouse gas emissions reductions a. The Ministry of Agriculture and Environment shall allocate to each province and centrally governed city the forestry sector's share of Nationally Determined Contributions to greenhouse gas emissions reductions. b. The Provincial People's Committee shall further allocate these contributions to the entities specified in Clause 1, Article 4 of this Decree, based on the recommendations of the Department of Agriculture and Environment. Emission reduction contribution allocation by Nationally Determined Contribution (NDC) Target	• Given the highly ambitious NDC commitment, the required contribution from the forestry sector to greenhouse gas emissions reductions is substantial. Therefore, the allocation of emissions reduction targets to each locality and to specific forest entities must be clearly defined. A transparent mechanism should also be established to ensure that investors have access to complete information, thereby creating strong incentives for investment in forest carbon projects. • Although Clause 4, Article 10 exempts voluntary domestic market transactions from certain approval requirements – a positive step – it is important to note that Vietnam's voluntary carbon market is expected to remain relatively small, which may limit its attractiveness to investors. • Clause 2. Allocation should not be based solely on the projected emissions reductions assigned to contribute to the NDC. Instead, it must be based on project reports and verified emissions reduction results, as the allocation represents an estimate, not a confirmed and validated outcome.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
2. Determination of emissions reduction results or forest carbon credits provided a. The Ministry of Agriculture and Environment shall determine the amount of emissions reduction results or forest carbon credits to be issued for forest carbon projects implemented by the Provincial People's Committee. This is based on the verified emissions reduction results, and credits are issued after fulfilling the nationally determined emissions reduction obligations allocated to each province or city. b. The Provincial People's Committee shall determine the amount of emissions reduction results or forest carbon credits to be issued for forest carbon projects implemented by organizations under its jurisdiction. c. The Ministry of Agriculture and Environment shall determine the amount of emissions reduction results or forest carbon credits for forest carbon projects directly implemented by the Ministry. This determination is made after fulfilling the nationally determined emissions reduction obligations allocated to the relevant provinces or cities and shall be communicated to the respective localities.	• Clause 4. A clear mechanism should be developed for projects that are either exempt from contributing to the NDC or conditionally required to contribute, particularly in the case of international (non-compensatory) projects that require a letter of authorization. • The procedures for international carbon credit trading and sales should be clearly defined, including whether Vietnam will participate under Articles 6.2, 6.4, and 6.8 of the Paris Agreement, and whether the country is prepared to apply corresponding adjustments as required under these mechanisms. • The procedures for approving transfers, as well as the timelines for when quantified emissions reduction results will be available, should also be clearly defined. • The Decree does not currently specify the number or proportion of carbon credits that project developers and investors are allowed to sell. This may reduce their incentives to participate in forest carbon initiatives. While the authority to determine the final volume of credits, after calculating NDCs, is assigned to the Ministry of Agriculture and Environment and provincial committees, the Decree does not specify a timeline or transparent method for making these determinations. This lack of regulatory clarity creates a significant barrier to long-term private investment. In addition, forest carbon trading policies around the world consider and link with monetary and financial management activities to ensure the prevention of money laundering, corruption, and cross-border crime. However, this has not been considered in the Draft Decree, unlike other forest carbon decrees around the world. Moreover, the draft only mentions the credit granting process but does not clearly address an important aspect of forest carbon trading: <i>the certification system for forest carbon credits that have been used, are therefore considered expired, cannot be traded, and must be removed from the trading system.</i> These elements need to be supplemented to ensure the strict integrity of the legal system.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
3. In cases where emissions reduction results or forest carbon credits are exchanged or transferred internationally, written approval for the international transfer is required. Such transfers must comply with the provisions of Decree No. 06/2022/ND-CP dated 7 January 2022, on the reduction of greenhouse gas emissions and protection of the ozone layer, as amended and supplemented by Decree No. 119/2025/ND-CP dated 9 June 2025. 4. In cases where emissions reduction results or forest carbon credits are exchanged or transferred, and do not require written international transfer documents, and in cases where they are traded within the domestic market for the purpose of voluntary greenhouse gas emissions reduction, Clause 2 of this Article does not apply.	
Article 11. Funding for implementing forest carbon projects	
Funding for implementing forest carbon projects relating to forests owned by the entire population shall be sourced from forest environmental service funds or mobilized from international and domestic organizations, individuals, and other lawful funding sources.	• The Draft Decree does not clarify how foreign funding for pre-investment in forest carbon projects will be managed and secured in Vietnam. • It is necessary to clarify whether investors can pre-pay for, and thereby own, future carbon credits, ensuring that their investments will secure ownership and benefits from those future credits. • It is necessary to clarify how implementation funds will be allocated for forests not owned by the entire population.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 12. Forms of exchange and transfer	
1. Contract-based exchange and transfer a. Organizations specified in Clauses 1 and 2 of Article 8 and Clauses 1 and 2 of Article 9 of this Decree may enter into contracts to supply emissions reduction results and forest carbon credits. b. For foreign organizations and individuals: The contract must include these key elements: contract subject; price per ton of CO₂ or per forest carbon credit; quantity; delivery and completion timeline; payment terms; and the rights and obligations of both parties. c. For domestic organizations and individuals: The contract format is specified in Appendix II attached to this Decree. 2. Forest carbon credits may be exchanged and transferred on the domestic carbon exchange platform in accordance with the provisions of Decree No. 06/2022/ND-CP dated 7 January 2022, on greenhouse gas emissions reduction and ozone layer protection, as amended and supplemented by Decree No. 119/2025/ND-CP dated 9 June 2025, and in line with the Government's regulations on the domestic carbon-exchange platform.	• There should not be two separate types of contracts that create a distinction between domestic and foreign organizations and individuals because (i) domestic organizations may enter into contracts with foreign entities, and (ii) forest carbon trading contracts should follow international standards to ensure compliance and to protect the rights, interests, and responsibilities of all parties involved. • It is necessary to clarify whether contracts can be denominated in Vietnamese dong or foreign currencies, and to specify the principles for determining exchange rates. • Appendix II – FORM OF CONTRACTS FOR EXCHANGE AND TRANSFER OF EMISSIONS REDUCTION RESULTS AND FOREST CARBON CREDITS is overly simplistic and overlooks key issues that any contract related to forest carbon credits must address. It is advisable to adopt internationally recognized and widely used contract templates. • In addition, forest carbon trading policies around the world are often integrated with financial and monetary management systems to ensure the prevention of money laundering, corruption, and cross-border crime. However, this aspect has not been addressed in the Draft Decree, unlike other forest carbon regulations globally. Furthermore, while the draft mentions the process of credit issuance, it does not clearly address a critical component of forest carbon trading: a certification system for forest carbon credits that have been used, are therefore considered expired, cannot be traded, and must be removed from the trading system. These elements need to be included to ensure the strict integrity of the legal framework.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 13. Management of revenue from direct payments	
1. The supplier has the right to determine the use of proceeds from the exchange and transfer of emissions reduction results and forest carbon credits, after fulfilling all financial obligations as required by law. 2. In cases where the supplier is an organization, the proceeds – after deducting costs related to implementing the forest carbon project, exchanging and transferring emissions reduction results and forest carbon credits, including payments to forest protection contractors – shall be recorded as the organization’s revenue and managed and used in accordance with legal provisions.	• Clause 1: It is necessary to clarify which financial obligations of the supplier are included under the provisions of the law. • Clarify how the provisions apply in cases where an organization is authorized by other forest owners to implement the carbon project (as outlined in Articles 8 and 9). • Clause 2: The statement that “the remaining amount is accounted for as the unit’s revenue and is managed and used according to the provisions of law” conflicts with Article 3, Clause 4, which stipulates that revenue from selling carbon credits must be reinvested in forest development and protection.
Article 14. Management and use of entrusted revenue via the Forest Protection and Development Fund	
1. Determination of coordination and payment amounts a. The Vietnam Forest Protection and Development Fund shall coordinate revenue distribution to the provincial Forest Protection and Development Funds based on the quantity of forest carbon credits and forest area supplied by each province, in accordance with Appendix III attached to this Decree. b. The provincial Forest Protection and Development Fund shall make payments to forest owners and other State-assigned forest management organizations based on the supplied forest area, in accordance with Appendix III attached to this Decree.	• Clause 2: In the actual implementation of payments for forest environmental services and the North Central Region Emissions Reduction Programme, the coordination of payments from the Central Fund to the Provincial Fund is often delayed due to the absence of clear regulations on payment timelines. It is necessary to specify the timeframe for such payments to clearly assign responsibilities to the relevant parties and ensure timely disbursement. For example, the Central Fund could be required to transfer payments within 30 days of receiving the funds and determining the number of credits provided. • Many provinces have now merged the Forest Protection and Development Fund with the Environmental Protection Fund (e.g., Lao Cai), while others, such as Ca Mau, do not have a dedicated Forest Protection and Development Fund. Therefore, the Decree should be updated to reflect these current circumstances. • Clause 3(b) stipulates that 5% of the total actual revenue may be used to cover activities such as measuring, reporting, validation greenhouse gas emissions reduction results; granting carbon credits; developing guidelines; conducting forest investigations, inventories, and monitoring; strengthening forestry law enforcement; resolving complaints; and covering taxes, fees, and other related expenses. However, this fixed rate is unrealistic and insufficient when compared with actual costs. Numerous global studies have shown that for forest carbon projects, management and transaction costs can range from 6% to 45% of total project revenue, depending on the project scale (ranging from 1,000 ha to 75,000 ha of forest) and duration (25–100 years) [Please see detailed report here].

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
2. Use of revenue at the Vietnam Forest Protection and Development Fund a. In addition to the expenses specified in Point (a) of this Clause, up to 5% of the total actual revenue may be allocated to cover activities including: measurement, reporting, and verification of greenhouse gas emissions reduction results; issuance of carbon credits; development of guidelines; forest investigation, inventory, and monitoring; strengthening forestry law enforcement; handling complaints; taxes, fees, and other related expenses. The specific deduction rate and expenditure items shall be approved by the Ministry of Agriculture and Environment. b. After deducting the expenses specified in Points (a) and (b) of this Clause, the Vietnam Forest Protection and Development Fund shall coordinate with the provincial Forest Protection and Development Funds accordingly. 3. Provincial Forest Protection and Development Fund a. In addition to the expenses specified in Point (a) of this Clause, up to 5% of the total actual revenue may be deducted to cover activities such as: measurement, reporting, and verification of greenhouse gas emissions reduction results; issuance of carbon credits; development of guidelines; forest investigation, inventory, and monitoring; strengthening the enforcement of forestry laws; handling complaints; and taxes, fees, and other related expenses as prescribed. The specific deduction rate and expenditure items shall be determined by the Provincial People's Committee.	• This 5% cap may particularly disadvantage small-scale community projects. Therefore, it is necessary to consider regulating the allowable usage rate based on project scale, rather than applying a fixed standard rate. • In Canada, project implementers are required to disclose their management costs. After these costs are disclosed and assessed by the relevant authorities, implementers are permitted to retain all remaining profits. • Clause 5: There should be strict regulations requiring forest owners that are economic organizations to share benefits with local communities.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 15. Financial planning, disbursement, payment, settlement, and reporting requirements	
	Currently, the Draft Decree only outlines general responsibilities for financial planning and disbursement. However, to ensure that Vietnam’s forest carbon credit management system meets comprehensive, core, and high-quality standards, the Decree should consider the following: • Include guidance on ensuring gender equity in access and benefit sharing in the appendix, or link it to Appendix IV “Financial Planning,” which mentions that “disadvantaged and vulnerable groups” – including women – should be prioritized and supported in accessing information, participating in activities, and receiving benefits. • Currently, the reporting regime is limited to information sharing between state agencies; buyers and sellers; and the Forest Protection and Development Fund. However, according to international standards and the experience of countries with established forest carbon regulations, the entire financial and disbursement system should be publicly accessible through an online platform to ensure transparency.
Article 16. Financial inspection, oversight, and disclosure	
Financial inspection, supervision, and disclosure shall be carried out in accordance with Article 72 of Decree No. 156/2018/ND-CP of the Government, which details the implementation of certain provisions of the Forestry Law.	• Article 72 of Decree No. 156 only stipulates the “inspection and supervision of the management and use of service fees.” It is recommended that additional regulations be included to ensure data transparency – specifically regarding the appraisal, inventory, verification, and reporting of carbon volumes during the implementation of forest carbon projects for carbon sequestration and storage services. • In addition, it is necessary to inspect and supervise the implementation of measures to ensure environmental and social safeguards, and to establish regulations for a gender-sensitive monitoring and reporting system. More specifically: ◦ A gender-sensitive complaint and dispute resolution mechanism should be established. ◦ The collection of gender-disaggregated data should be required. ◦ Gender impacts should be monitored throughout policy implementation, with attention to avoiding harm to community interests (“do no harm” principle). ◦ Provisions should be added for establishing a community-based grievance mechanism, with specific requirements to ensure that women have safe and appropriate channels to access and report through the mechanism.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Article 17. Responsibility for implementation	
1. Ministry of Agriculture and Environment a. Organize the implementation, monitoring, inspection, and resolution of arising issues within its authority, and perform tasks assigned under this Decree. b. Take the lead and coordinate with the Ministry of Finance to establish methods for pricing forest carbon sequestration and storage services. c. Develop Vietnam's forest carbon standards; establish systems for measuring, reporting, and verifying emissions reduction results; and issuance of forest carbon credits. d. Organize the implementation of forest carbon projects; negotiate, sign, and execute contracts for the exchange and transfer of emissions reduction results and forest carbon credits in accordance with this Decree; coordinate with international partners to address arising issues within its authority or submit them to competent authorities for consideration and resolution in line with Vietnamese law and international practices. e. Manage and ensure the implementation of Nationally Determined Contributions (NDCs) to emissions reductions in the forestry and land-use sectors. f. Consolidate and report on the implementation of forest carbon sequestration and storage services as stipulated in Clause 5, Article 95 of the Forestry Law.	• Clause 1(c). To ensure Vietnam's national standards are aligned with and readily accepted in the international market, they should adopt high-quality carbon standards that are widely recognized and approved, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the Paris Agreement Crediting Mechanism, and the Integrity Council for the Voluntary Carbon Market. • Currently, there is no clear guidance system for foreign companies to engage with. According to feedback from the private sector, having a designated focal point to receive requests and proposals from foreign companies would facilitate their participation. • Specific instructions should be provided on the registration and management process, including which unit within the Ministry is responsible and the designated contact person, to better support foreign enterprises. • Both the Ministry of Agriculture and Environment and the Provincial People's Committee are responsible for organizing the implementation of forest carbon projects, as well as negotiating, signing, and executing contracts for the exchange and transfer of emissions reduction results and forest carbon credits with international and domestic partners. It is necessary to clarify whether such contracts and agreements require approval and signatures from both agencies. This clarification should be included in both Article 12 and Article 17. • Clause (d): It is important to emphasize that Vietnam will implement forest carbon projects in accordance with Article 6 of the Paris Agreement. • The role of the Ministry of Finance includes developing forest carbon-pricing mechanisms and formulating tax policies related to forest carbon trading. • Clause 4(b): In practice, it will be very difficult for the Provincial People's Committee to issue a fixed price list because the price of a carbon credit depends on factors such as scale, complexity, and its social and environmental benefits. A large-scale monoculture project will have a significantly lower carbon price compared with a small-scale, community-based project focused on biodiversity conservation. • Domestic projects already have monitoring, reporting, and verification systems in place, but projects marketed internationally by foreign organizations lack clear regulations on how to report to the related authorities.

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
2. Ministry of Finance Coordinate with the Ministry of Agriculture and Environment to establish methods for pricing forest carbon sequestration and storage services and to oversee the implementation of this Decree. 3. Responsibilities of the Provincial People's Committee a. Organize the implementation, supervision, inspection, and resolution of issues arising within their jurisdictions, and carry out tasks assigned under this Decree. b. Issue a price list for forest carbon sequestration and storage services. c. Organize the implementation of forest carbon projects; negotiate, sign, and execute contracts for the exchange and transfer of emissions reduction results and forest carbon credits with both international and domestic partners in accordance with this Decree; coordinate with international partners to address arising issues within their authority or submit them to competent authorities for consideration and resolution in accordance with Vietnamese law and international practices. d. Manage and ensure the implementation of Nationally Determined Contributions (NDCs) to emissions reductions in the forestry and land-use sectors within their jurisdictions. e. Report annually to the Ministry of Agriculture and Environment on the implementation of forest carbon sequestration and storage services within their jurisdictions.	

continued on next page

Table 3. Continued

Contents of the Draft Decree	Key considerations
Appendix 2: Instructions on contract formats	The current Draft Decree aligns with international trends in developing and managing forest carbon credits by providing guidelines on contractual agreements (Appendix 2). However, to meet stringent market requirements, to minimize commercial risks for Vietnam and forest owners – especially when foreign companies are involved – and to avoid legal issues related to carbon, it is advisable to consider adopting internationally recognized contract templates. These templates have been reviewed by legal experts worldwide and are currently used by various countries to regulate carbon trading agreements. Examples include general agreements (GGGI 2023) and those used by Turkey (Turkish Carbon Market n.d.), the International Emissions Trading Association (IETA 2023), Australia (Clean Energy Regulator 2024), Norway (Norwegian Ministry of Climate and Environment 2015), the Gold Standard and project participant agreements (Gold Standard Foundation 2020), World Bank country agreements (Forest Carbon Partnership Facility 2014), <u>IETA-country agreements</u>, as well as <u>concise contract templates</u> commonly used in the market. Additionally, templates popular among foreign companies operating in Vietnam – such as the <u>Emission Reduction Purchase Agreement between Ecolocap Solutions (Canada) Inc. and Bao Tan Hydro Electric Joint-Stock Company</u> – can serve as valuable references. According to carbon trading common practices, an economic and commercial contract for these transactions should include at least the following terms (ODI n.d.; EKI Energy Services Limited 2020): • The quantity and price of the emissions reductions to be provided. • Delivery schedule and payment terms for the emissions reductions. • Consequences of non-delivery: what happens if the Seller fails to deliver the specified emission reductions, and what claims or penalties the Buyer may impose. • Consequences of default: what happens if the Buyer fails to pay for delivered emissions reductions, if the Seller provides incorrect information, or if there are changes in the country’s regulatory framework. • General obligations of the Seller: for example, responsibility for verification and certification (to ensure issuance of emissions reductions), implementation of the monitoring plan, overall project operation, and delivery of emissions reductions to the Buyer. • General obligations of the Buyer: for example, responsibility for establishing an account to receive emissions reductions, making payments, and liaising with relevant regulatory authorities. • Project risks: identification of responsible parties for various risks, whether these risks can be managed, and how they will be handled.

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This report analyses the provisions proposed in the Draft Decree on Forest Carbon Sequestration and Storage Services ('the Draft Decree') and provides relevant information as well as scientific evidence in both the global and Vietnamese contexts. The aim is to help policymakers make informed adjustments that align with Vietnam's specific circumstances while positioning the country to proactively respond to emerging trends in the future carbon market.

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