**CARBON CREDIT MARKETS IN VIETNAM - OPPORTUNITIES AND CHALLENGES**

At the COP26 Summit, Vietnam made a commitment to reach net zero emissions by 2050, according to the roadmap, the carbon market will be piloted in 2025. Up to now, although the carbon credit market in Vietnam has not been officially operated, hundreds of carbon credit projects according to independent international standards are busy being implemented. According to statistics from the United Nations Framework Convention on Climate Change, Vietnam is ranked 5th among countries that create carbon credits. Participating in the carbon credit market is both an opportunity and a challenge for Vietnamese businesses to catch up with the domestic and international markets for the requirements of green production and greenhouse gas emission reduction.

**I. OVERVIEW OF CARBON CREDITS**

Globally, carbon credits were first mentioned in the Kyoto Protocol, which was adopted on December 11, 1997, in Kyoto, Japan. The general principles of this protocol laid the foundation for the establishment of carbon credits to reduce greenhouse gas emissions and promote international carbon credit trading. Following the Marrakesh and Paris Agreements, international law has referred to these credits as “carbon credits”.

In Vietnam, the definition of carbon credits is defined in Article 3.35 of the Environmental Protection Law 2020: “*Carbon credits are certificates that can be traded commercially and represent the right to emit one ton of carbon dioxide (CO2) or an equivalent amount of CO2*”.

In summary, a carbon credit is a type of license or certificate that can be bought and sold, granting the holder the right to emit one ton of carbon dioxide or an equivalent amount of greenhouse gases. The creation of carbon credits aims to reduce carbon dioxide and other greenhouse gas emissions from industrial activities, contributing to the mitigation of global warming.

At present, around 73 carbon credit trading mechanisms are in operation globally, encompassing both voluntary and mandatory markets, covering approximately 23% of total global greenhouse. These mechanisms have raised about $100 billion worldwide in 2022.

**II. OPPORTUNITIES FOR THE CARBON CREDIT MARKET IN VIETNAM**

According to the assessment of domestic and international experts, Vietnam has a lot of potential with carbon credit projects, which can come from many fields such as forestry, agriculture, clean water, etc.

1. In the forestry sector, with a total forest area of about 14.7 million hectares and forest cover of 42%, it is estimated that each year Vietnam's forests absorb an average of nearly 70 million tons of carbon (CO2). With an abundant supply of carbon credits, if commensurate transactions can be made, our country can sell carbon credits with a value of about 300 million USD/year. Through carbon markets, forests can provide a significant source of revenue for management, protection as well as income enhancement for forest-dependent communities.
2. Besides forests, Vietnam's agriculture sector also has the potential to reach 57 million carbon credits per year. Especially in rice cultivation. Recently, some localities have moved to apply the rice farming model to reduce emissions. This model not only helps increase productivity, reduce costs, but also creates more carbon credits. Typically, the Project of 1 million hectares specializes in high-quality rice cultivation in the Mekong Delta.

Not only has great potential, the carbon credit market in Vietnam is also having favorable opportunities to develop. This opportunity comes from the trend of reducing emissions, the green shift is taking place very strongly on a global scale – promoted by the Government. The commitment of Vietnamese governments to Net Zero at COP26 is considered a great driver for the carbon credit market. In the trend of green transition, many businesses have committed and come up with a roadmap to reduce emissions, towards carbon neutrality. The large demand for carbon credits is a very favorable condition for the development of the carbon market in Vietnam.

**III. CHALLENGES OF THE CARBON CREDIT MARKET IN VIETNAM**

Despite the promising opportunities in the carbon credit market, Vietnam faces several challenges:

1. The legal framework for the carbon credit market, along with the process of handling, approving, and evaluating carbon credits, has not been issued and perfected in a timely manner. This is a novel market, requiring strict compliance and adherence to international agreements and commitments that Vietnam has participated in. Therefore, the lack of guidance and specific regulations from the state and competent authorities makes it difficult for individuals and businesses interested in participating in the market to navigate and operate.
2. There is a shortage of human resources to operate the market, including the establishment of technical committees under relevant ministries and sectors to advise on technical issues such as measurement, assessment, auditing of carbon emissions in order to accurately convert the number of credits and quota levels. The absence of these support units can create barriers to the deployment of carbon pricing tools, increase costs, and prolong transaction times.
3. Businesses face many difficulties, limitations and lack initiative in accessing information related to the carbon credit market. Currently, the green and circular transition in the coming time is a mandatory requirement for Vietnam, not just a recommendation. Therefore, all businesses, whether they want to or not, must implement them to participate in global trade and investment. In addition, from October 2023, the European Union (EU) has applied carbon border taxes, thus, if relevant businesses continue to hesitate and do not comply with these regulations, Vietnamese products will be at a disadvantage in export prices.

**IV. CONCLUSION**

Great opportunities often come with challenges, and the carbon credit market is no exception. However, that does not mean that we should abandon a potential market that Vietnam is fully capable of implementing and developing. This determination is clearly reflected through various recent policies and projects aimed at improving the legal framework, issued by the Government and competent authorities, such as Decree No. 06/2022/NĐ-CP, Circular No. 01/2022/TT-BTNMT, Draft Circular amending and supplementing some provisions of Circular No. 02/2022/TT-BTNMT, etc.

In addition, the Government has outlined specific roadmaps for this market in Decree No. 06/2022/NĐ-CP: By 2025, the pilot operation of the carbon credit exchange market; by the end of 2027, it is expected to complete the regulation on carbon credit management, pilot the implementation of carbon credit exchange and offset; from 2028, the carbon credit exchange will officially go into operation.

With these clear policies and roadmaps, we can be confident about effectively exploiting opportunities from the carbon credit market in Vietnam.

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