

**COMMENTS AND CONSIDERATIONS REGARDING  
DECREE 107/2022/NĐ-CP DATED 28 DECEMBER 2022 OF THE  
GOVERNMENT OF VIETNAM**

**Experimental transfer of emissions reductions and financial management  
under greenhouse gas emissions reduction payment agreement in North  
Central Vietnam**

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*In recent years, the terms Carbon Credit, Carbon Finance, and Carbon Exchange have been arbitrarily misused and disseminated on social media platforms, particularly YouTube.*

How we understand and what we see from the Decree 107/2022/NĐ-CP?

**Firstly**, this is a commercial agreement for buying and selling of Emission Reduction between the Buyer: IBRD<sup>1</sup>, representing the World Bank – WB under ERPA<sup>2</sup> and the Seller: Ministry of Agriculture and Rural Development (MARD) representing the Government of Vietnam and all forest owners<sup>3</sup> who have been granted land use rights Certificates pursuant to Decree 163/1999/ND-CP in six provinces of North Central Region.

**Secondly**, in Clause 3 Article 2, the definition of “Emissions reduction (ER) transfer<sup>4</sup>” is incorrect and a violation by nature. The ER transfer is not the transfer of the ownership of reduction of GHG emissions from natural forests.

**Thirdly**, the carbon stock on natural forest land (exceeding 2.9 million hectares) in the six provinces is calculated at only 10.3 million tons of CO<sub>2</sub>, with a maximum price of USD 5 per ton of CO<sub>2</sub> from 2018 until 31 December 2025<sup>5</sup> (over 8 years).

**Fourthly**, in addition to the ERs under ERPA, if IBRD *wishes to purchase additional ERs*, the Ministry of Agriculture and Rural Development shall take charge and cooperate with the Ministry of Natural Resources and Environment, the Ministry of Finance, People's Committees of six provinces in the North Central Region and relevant agencies in *developing transfer plans and reporting to competent authorities for consideration and decision*<sup>6</sup>.

**Fifthly**, the Decree 107/2022/NĐ-CP, which consists of four appendices and 14 forms guiding the payment process, the rate deducted from the price of USD 5 per ton of CO<sub>2</sub> (over 10.3 million tons of CO<sub>2</sub>) for transaction management activities from MARD to six Funds in the six provinces (Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Tri, Thua Thien) does not mention the calculation formula and conversion rate from carbon stock to CO<sub>2</sub> equivalent!?

**Sixthly**, the Decree on the “*transfer of the emissions reductions*” has been turned out to be the Decree on the “*transfer of the ownership*” (Clause 3 Article 2) with the ownership duration<sup>7</sup> of

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<sup>1</sup> International Bank for Reconstruction and Development

<sup>2</sup> Emissions Reduction Payment Agreement

<sup>3</sup> All six provinces in the North Central Region

<sup>4</sup> Article 2: 3. Emission reduction (ER) transfer means an act that the Ministry of Agriculture and Rural Development transfers the ownership of reductions of GHG emissions from natural forests to Forest Carbon Partnership Facility (FCPF) through IBRD under ERPA (including Contract ERs (10,3 million tons of CO<sub>2</sub>) and Additional ERs (no more than 5 million tons of CO<sub>2</sub>, if any)).

<sup>5</sup> Clause 4 Article 4

<sup>6</sup> Clause 3 Article 4

<sup>7</sup> Reductions of GHG emissions from forest management and protection from 2018 to 2024 will be transferred until 31 December 2025.

8 years for the absorbed amount of 10.3 million tons of CO<sub>2</sub> at the price of USD 5 per ton of CO<sub>2</sub> applicable for evergreen mixed-species forests, which is *unrealistic and illogical calculation*.

*Seventhly*, this commercial agreement fails to provide transparency and publicity in terms of conversion of carbon stock to CO<sub>2</sub>. It also excludes the decision-making involvement of forest owners in the six provinces of North Central Region.

Consequently, this leads to a clear illogicality and contradiction: 1) The suspension of growth of all tree standing in the entire natural forest area of the six provinces; 2) the limitation of carbon sequestration following the biogeochemical cycle of natural forests in the six provinces; and 3) a fixed pricing of USD 5 per ton of CO<sub>2</sub> for the entire eight-year carbon credit trading period!

To prevent a lack of transparency in the carbon credit market in the future, forest owners need to understand the minimum requirements for participating in transactions: 1) A forest and land use rights Certificate (accompanied by a dossier on forest and land allocation as prescribed by law); 2) a sustainable forest management plan according to Circular 28/2018/TT-BNNPTNT; 3) an annual forest use, protection, and development plan; 4) regular updating, monitoring, and control of changes in area, quality, and risks of forest damage; 5) a detailed log of changes; 6) a formal agreement with neighboring landowners; 7) regular exchanges of experiences and updates of co-management regulations; 8) cross-checking among forest owners; 9) documentation and provision of forest changes to an independent arbitrator.

Once forest owners are well aware of the value of the natural trees within their boundaries, they will be confident, independent, self-reliant, self-determined and take responsibility for caring for and monitoring the tree growth, especially the carbon stock and CO<sub>2</sub> absorption of each natural forest tree. Through a market-based approach, forest owners will be more proactive, creative, and voluntarily care for and nurture their trees, because natural forest trees are their own ATMs!

Given the current increasing CO<sub>2</sub> level (423 PPM<sup>8</sup>), enterprises must offset their emissions by investing in trees. Farmers, as tree owners, voluntarily nurture their trees because they bring them monetary benefits. The taller the trees grow, the more money they must be invested. This arrangement is mutually beneficial, bringing satisfaction to farmers, businesses, independent arbitrators, and the government alike.

With the government's promulgation and implementation of transparent and equitable management policies in parallel with tax obligations tailored to each type of forest owner and enterprise, and in close collaboration with independent carbon finance arbitrators using WebGIS technology, the co-management strategy for natural forests will become a driving force, an effective solution, and a goal for a safe and sustainable economy, ensuring transparency and equality among all stakeholders in the market-based economy. By fostering a partnership among farmers as tree owners, enterprises as emitters, the government as regulator, and independent arbitrators as digital/WebGIS-based supervisors and controllers, the Vietnam's Netzero 2050 commitment will be realistic and achievable.

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<sup>8</sup> The concentration of CO<sub>2</sub> in the atmosphere reaches an urgent alarm level.

