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*Hanoi, 30 September 2024*

**Sub: Commenting the Project “Establishment and Development of Carbon Market in Vietnam”(4th version) outlined in the Report 232/TTr-BTC dated 11 September 2024 of the Ministry of Finance of Vietnam**

To: Prime Minister Pham Minh Chinh  
Deputy Prime Minister Tran Hong Ha

Cc: Ministry of Natural Resources and Environment  
Ministry of Justice  
Minister of Finance  
Ministry of Agriculture and Rural Development  
Legal Division of Ministry of Finance  
Legal Division of Ministry of Agriculture and Rural Development  
Head of Legal Division of Ministry of Natural Resources and Environment  
Head of Legal Division of Ministry of Planning and Investment  
Legal Division of Ministry of Justice  
Legal Division Ministry of Industry and Trade

My name is Tran Thi Lanh. I have been working with ethnic minority groups since 1990 to now in the fields of restoring natural forest ecosystem based on the philosophy of nurturing nature; applying local indigenous experience, knowledge and wisdom of ethnic minority people in agro-ecological upland farming practices; and enriching biodiversity and soil organic matter of Forest – Upland farm – Valley Rice Field landscape-based ecosystems towards a carbon credit market and a green circular economy of ethnic minority communities who have been living in the upper watersheds of Vietnam and northern Laos for hundreds of years.

My passion and dedication is to realize the Party’s vision demonstrated through a series of Laws including Land Law, Forest Law, Biodiversity Law, and Law on Environmental Protection working to ensure that these laws are effectively implemented in the real life, and public concerns during the implementation are addressed. In relation to the above Project<sup>1</sup>, given my expertise and experience, my

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<sup>1</sup>1) The Report No. 232/TTr-BTC of the Ministry of Finance; 2) the tables subject to suggestions for amendments attached to the report; 3) the 11-page approval decision form; 4) the 54-page project; 5) the 10-page appendices; 6) the commenting letter 6350/BNNPTNT dated 27 August 2024 of the Ministry of Agriculture and Rural Development signed by Minister Le Minh Hoan; and the commenting letter [tlanh@speri.org](mailto:tlanh@speri.org)/critical analysis on Carbon Issue.

ongoing collaboration with domestic and international scientists as well as some forest owners, who are farmers and community members, in the fields of carbon, carbon credits, and carbon trading, I would like to offer some suggestions for the project as follows.

**A. PROJECT'S TITLE:** The title of the Project “Establishment and development of carbon market in Vietnam” is not appropriate because of the some following reasons:

1. Carbon stored in various ecosystems, particularly in 14 million hectares of natural forests, the entire Mekong Delta, the Red River Delta, and other specific natural sinks scattered across Vietnam, has not been fully inventoried, audited, and assessed for its actual stocks by relevant ministries, universities, and research institutes;
2. The data on carbon offset balance between total emissions from industry, agriculture, and other production activities causing greenhouse gas emissions and a total absorption capacity of natural carbon sinks nationwide remains incomplete and lacks official legal recognition;
3. Similarly, there is still a lack of a coordinated framework that ensures the professional and transparent involvement of forest owners, emitters, and an independent arbitrator in both voluntary and mandatory carbon offset transactions, as required by carbon credit market principles.

In addition to these main issues, a majority of forest owners including farmers, residential communities, forest leasing organizations, and state-owned forest management boards (i.e. National Parks, Protection Forest Management Boards. Conservation Areas), and other individual and organizations leasing forest lack a comprehensive and thorough understanding of carbon, carbon credits, and crucial roles of carbon in sustaining life of all living things on earth.

Given the aforementioned reasons, I respectfully propose that Prime Minister Pham Minh Chinh, Deputy Prime Minister Tran Hong Ha, the Minister of Natural Resources and Environment, the Minister of Justice, and relevant advisory divisions involved in the carbon credit market reconsider the entire Project “Establishment and development of carbon market in Vietnam”. This project currently involves just the Ministry of Agriculture and Rural Development, the Ministry of Natural Resources and Environment, and the Ministry of Finance in decision-making process while overlooking the crucial involvement of major emitting corporations, forest owners, and scientists and research organizations in the fields of land, environment, and carbon.

Therefore, I would like to recommend that the Project should be titled “**Carbon credit market orientations in Vietnam in the 2025 – 2028 pilot phase**” towards a green circular economy.

**B. EXPLANTION OF UNDERSTANDING:** The project content presented in the Report 232/TTr-BTC/11/9/2024 has not yet demonstrated the nature of State governance regarding resource and asset/commodity attributes of carbon in the context of the Vietnam's political and economic regime in the pilot phase of entering the carbon credit market.

1) Carbon cannot be considered a commodity traded on the market because of its natural function in the formation of life for all living beings. The three-volume *Capital* of Karl Marx (1867) clearly shows that the resource attribute of land determines the nature of capitalist economy through the concept of "differential rent" - the key to determining the right to possess the commodity/property of land under the term "real estate market"! The resource attribute of carbon in the 20s - 50s of the 21<sup>st</sup> century determines the fate of the earth and humanity, as carbon bears 45% of the responsibility for forming life on earth. As for Vietnam, a country with a special history of building, preserving, and nurturing the Spirit-Energy-Soul of the nation on the path of building a socialist country, naturally, all market-based socio-economic development strategies must pay special attention to the resource attribute of carbon which is currently present in all natural sinks and human life.

2) It is essential to understand the value of carbon resources in our daily life, especially now when carbon dioxide (CO<sub>2</sub>) in the atmosphere has reached nearly 424 PPM (500 PPM is the highest level that dangers human's life), alarming the whole world that it is the high time to re-evaluate each human behavior towards nature, particularly the resource attribute of carbon. This is the core reason why economic and financial institutions<sup>2</sup> are targeting Southern tropical countries (rich in carbon stocks) with the aim of colonization<sup>3</sup> through investing money and technology in forests, fields, midlands, and future generations under the guise of "development cooperation".

3) When the value of carbon resource is converted into the commodity in forms of carbon credits<sup>4</sup> by powerful nations to serve the "hunger for carbon" of the G7, financial institutions initiate a "carbon credit game".

4) Two tables bellows demonstrate the carbon stocks and potentials of Vietnam's 14 million hectares of natural forest after research and measurements have been conducted.

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<sup>2</sup> World Bank, ADB Bank, Emergent Bank, JDB, KB, German Bank...

<sup>3</sup> Reforestation Development Cooperation - related documents

<sup>4</sup> 1000 kg of CO<sub>2</sub> equivalent to one carbon credit; one ton of carbon absorbs 3.67 tons of CO<sub>2</sub>.

***Table 1: Result of average C\_AGB (t/ha) from application of four formulas of carbon stock calculation over 310.7 ha of tropical rainforest in the Ngan Pho River upper watershed (July 2024) ([www.CO2justice.org](http://www.CO2justice.org))***

Formula	Brown (1997)	Chave et al (2005)	NRW	Bao Huy (2012)
Average C_AGB (t/ha)	97.36	151.00	133.54	110.25
Standard deviation (t/ha)	40.87	71.51	54.01	48.26
Min (t/ha)	43.76	64.25	58.14	49.37
Max (t/ha)	249.19	420.97	332.11	297.11

***Table 2: Estimated average C\_AGB (t/ha) in 14 million ha of natural forests in Vietnam***

No	Carbon sink	Total area of forests/Million ha	Absorbed CO <sub>2</sub> / ha (average)	Total absorbed CO <sub>2</sub> /ton of CO <sub>2</sub>	Average selling price of USD 5 /ton of CO <sub>2</sub>	Total budget earned from CO <sub>2</sub> /carbon sink from 14 million ha
1	Natural forests	14 million ha	250 tons of CO <sub>2</sub> / ha	3,500,000,000 tons of CO <sub>2</sub> /14 million ha of forest	3.5 billion tons of CO <sub>2</sub> x 5 USD per ton CO <sub>2</sub>	17, 500,000,000 USD
2	Humus in 14 million ha of forests	20 - 30 cm humus layer	5 times C_AGB (theory)	5 times (CO <sub>2</sub> e)	5 times (CO <sub>2</sub> e)	5 times (CO <sub>2</sub> e)
3,	Other non-calculated carbon sinks	.....	.....	.....	.....	.....

5) Based on the estimates in the Table 2, the 14-million-hectare tropical rainforest sink with its carbon sequestration capacity of 250 tons<sup>5</sup> of CO<sub>2</sub> per ha per year, has a potential to generate USD 17,5 billion in revenue for the government at a current trading price of USD 5 per ton of CO<sub>2</sub>. This calculation reveals that in the absence of a transparent and professional legal framework, even during the 2025 –

<sup>5</sup> Even if the absorption capacity is only estimated at 200 tons of CO<sub>2</sub> per hectare of natural forest, Vietnam is still absorbing 2.8 billion tons of CO<sub>2</sub>, and at USD 5 per ton, the government would still have an annual revenue of USD 14 billion from the 14 million hectares of forest that are absorbing for free.

2028 pilot phase, neighboring countries are essentially getting a free ride by benefiting from the carbon sequestration of Vietnam's 14 million hectares of natural forest (C\_AGB<sup>6</sup>), which amounts to 3.5 billion tons<sup>7</sup> of CO<sub>2</sub> annually. This means that Vietnam's natural forests, especially the 14-million-hectare sink, have negative net carbon emissions. Even after deducting the total greenhouse gas emissions of all domestic economic groups that are required to certify emission offsets for their exports, Vietnam remains a net negative emitter of greenhouse gases.

Following are some comments that I would like to submit to Prime Minister Pham Minh Chinh, Deputy Prime Minister Tran Hong Ha, and advisory divisions and officials of the relevant ministries:

1. Affirm the practical and scientific nature of the Project **“Carbon credit market orientations in Vietnam in the 2025 – 2028 pilot phase<sup>8</sup>”** towards a green circular economy.

2. The project serves as a fundamental professional foundation for the pilot phase from 2025 – 2028 to further formulate Politburo Resolutions, Laws, Decrees, Circulars, and Appendices which include: calculation formulas, functions, and scientific variables applicable to the practical context of the Vietnam's tropical rainforests with 14 million hectares of natural forests in relation to the carbon credit market. This vast forest area would become an invaluable carbon sink if converted into tradable carbon credits after 2028. Vietnamese scientists should demonstrate their right to self-determine their calculation formula, not passively follow the formulas designated by the powers through UN-related organizations. Vietnam should independently determine all carbon credit calculations for its natural carbon sinks within the territory. Vietnam should fairly cooperate with those partners who agree with this principle.

3. The project should fully consider and respect opinions and analytical insights of scientists who specialize in researching and developing formulas for calculating carbon stocks in various sinks available in nature and life.

4. The project should clarify to what extent individual and community forest owners are involved in calculating carbon stocks to convert into carbon credits, verifying and evaluating the result, defining their level of participation in the carbon credit market, clarifying what is the economic and political position of household and community forest owners upon their engagement in the carbon credit market, to what extent and why they are involved. Similarly, the project needs to clarify the level of involvement of forest owners who are one-membered state-owned and private forest leasing enterprises, public and independent scientific and

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<sup>6</sup> Carbon in Above-Ground Biomass

<sup>7</sup> An unofficial estimate suggests that Vietnam currently emits around 300 million tons of CO<sub>2</sub> annually from direct and indirect sources, while its 14 million hectares of natural forests absorb more than 3 billion tons of CO<sub>2</sub>, benefiting neighboring countries.

<sup>8</sup> The pilot phase offers a unique chance to shape the future of carbon credit trading, paving the way for a mandatory market-based system.

technological organizations, and cooperatives in the project “**Carbon credit market orientations in Vietnam in the 2025 - 2028 pilot phase**” towards a green circular economy.

5. Accordingly, the **Carbon credit market Orientations in Vietnam in the 2025-2028 pilot phase** requires an independent economic arbitrator<sup>9</sup> (through WEB/GIS technologies) to ensure transparent, public, and professional governance. This arbitrator will be responsible for maintaining an up-to-date database on changes in forest boundary, area, carbon stock, timber volume, and leakage in emission reductions among forest owners, emitters, local authorities and media to foster a dynamic, creative, and proactive carbon credit market that can adapt to the special characteristic of this commodity and the changing market rules.

6. Accordingly, during the 2024 - 2028 pilot phase, the Government can be able to fully control the market for trading carbon credits derived from emission reductions within the 14 million hectares of natural forest (as scientifically interpolated in the above Tables 1 and 2, and further elaborated in <https://co2justice.org/xuat-ban>). The Government can sell the carbon sequestration capacity of this 14 million hectares of natural forest, which currently absorbs billions of tons of CO<sub>2</sub> for neighboring countries free of charge, to any domestic or international corporations, after taking into account the carbon offsetting obligations to be fulfilled by domestic corporations. The following conditions must be met:

- a) Sell only carbon credits generated from emission reductions;*
- b) No binding commitment beyond 3 years (ending in December 2027) during the pilot phase to establish a professional and transparent legal framework for mandatory carbon credit trading before launching the market;*
- c) Be cautious when signing documents with potentially misleading terms, such as forest area<sup>10</sup>, forest ownership, and trading duration (to prevent risks and loopholes similar to those in Decree 107/2022/ND-CP);*
- d) An independent arbitrator representing forest owners, emitters, and local authorities as detailed in sub-clause b), clause 7 of section C below plays a crucial role in pilot trading to ensure that the pilot transaction governance aligns with market rules and prevents the waste of free CO<sub>2</sub> absorption that have benefited neighboring countries for many years, as shown in Tables 1 and 2.*

### **C. CARBON CREDIT MARKET CO-GOVERNANCE**

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<sup>9</sup> A transparent and secure WEB/GIS platform enables annual transactions between forest owners and emitters. The independent arbitrator consists of scientists, economists, and financial experts in the fields of natural sciences, land economics, and bio-economics.

<sup>10</sup> Clause 2.Article 1, Clause 3.Article 2, and Clauses 1, 3, 4.Article 4 of Decree 107/2022/NĐ-CP “Experimental transfer of emissions reductions and financial management under emissions reduction payment agreement in the North Central Region” of the Government of Vietnam have unintentionally put forest owners and their forest area in six North-Central Vietnam under the control of ERPA.

7. Five actors including forest owner, emitter, independent arbitrator, local authorities, and media are expected to play five distinctive roles in the carbon credit market as bellows:

a. **The forest owner** bears a dual responsibility: The ownership rights (as stipulated in Article 53 of the 2013 Constitution) and the use rights (as outlined in Land Law 31/2024/QH15 and Forest Law 16/2017/QH14). More than anyone else, forest owners are ones who care for, patrol, monitor, detect, update, and assess changes in individual trees and the entire forest area under their ownership. The risk of a less than 5% reduction in forest quality and quantity, as defined by FSC, is a very real possibility.

b. **The Independent arbitrator** (WEB/GIS) acts as a trusted data hub for forest owners, offering guidance on using technology to maintain up-to-date quarterly and annual records and connecting to the central WEB/GIS platform managed by the arbitrator for data exchange.

c. **The emitter** monitors and evaluates changes in their marked and GPS-tagged forest trees, and the carbon credit volume updated by the forest owner on the independent arbitrator's WEB/GIS platform.

d. **The local authorities** utilize the WEB/GIS system to collect and monitor the volume of carbon credit of forest owners within their administrative areas. The collected data will be used to determine and adjust the carbon credit transaction tax payable based on the specific regulations for different forest owners and forest types;

e. **The Media** updates WEB/GIS with independent arbitration to disseminate, educate, and raise awareness among all social actors.

#### **D. EFFECTIVE NATURAL FOREST SECURITY, EQUITY, AND TRANSPERENCY**

8. As analyzed in the section C, forest owners can be able to directly identify and assess the true value of each individual tree in their natural forests. They can determine the amount of CO<sub>2</sub> per tree in their natural forests based on age, per hectare, and per area. By working together with an independent arbitrator, forest owners can enhance their understanding and knowledge of carbon credits that exist within their natural forests. Forest owners will realize that each tree is like an ATM, providing them with annual income based on the carbon credit market price<sup>11</sup> that is publicly announced by local authorities and reported in the media. The Vietnamese government, with the support of forest owners, especially the over 14 million ethnic minority people who nurture the forests and are well-positioned as a key player in the highly competitive global carbon credit market, will achieve the Prime Minister's goal of a green circular economy.

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<sup>11</sup> Online updates via WEB/GIS by an independent arbitrator.

[ttlanh@speri.org](mailto:ttlanh@speri.org)/critical analysis on Carbon Issue.

9. Accordingly, the carbon resources attribute, a special **Ecological Capital** of the nation, is actively managed, utilized, monitored, and assessed by various forest owners to reduce emissions and promote forest-based livelihoods. Forest owners are subject to tax on commodities or carbon credits per tree. The State, in its regulatory role, sets the tax rate and classifies forest owners based on their legal land use rights.

10. Both state-owned and non-state-owned corporations<sup>12</sup> can thrive in an environment that fosters freedom, creativity and innovation to drive economic development while ensuring safe emissions reduction across the territory.

11. Farmers, enterprises, independent economic arbitrator, State, and media are united in their efforts to take ownership and responsibility, working together to build a green circular economy in Vietnam. This is also known as carbon credit co-governance through natural forest co-management among those actors under the socialist-oriented market economy guideline.

*Dear Sirs,*

Carbon and CO<sub>2</sub> are essential for life. Carbon is abundant in natural carbon sinks today. Therefore, the “Carbon credit market orientation in Vietnam the 2025-2028 pilot phase” is an opportunity to carefully learn lessons in terms of issuing legal documents, especially for the carbon sink covering 14 million hectares of natural forests, to avoid risks and loopholes that may arise due to a lack of forest owner’s participation as seen in the Decree 107/2022 when transferring natural forest areas in the 6 North Central provinces from 2018 - 2025 under the ERPA.

Above all, the “Carbon credit market orientations in Vietnam in the 2025 - 2028 pilot phase” is the orientations towards a responsible, ethical market and values of national resources in the game with financial tycoons, where Vietnam is the one who sets the rules.

*For any further information, please kindly contact:*

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Yours sincerely,

**Director of SPERI**

*(Signed and sealed)*

**Tran Thi Lanh**

***Recipients:***

- As mentioned above
- SPERI for archive

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<sup>12</sup> Non-state owned corporations prefer flexible and transparent policies to a loss compensation budget or risk assistance.



