

Presenter: Mr. Nguyen Chien Cuong

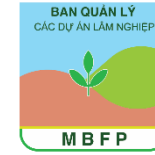
PFES Officer of the VNFF

Cuong has 09 years of experience in Carbon PES. He participated in implementation of ERPA, and focal point of VNFF to support SK forest and LEAF in terms of trading forest carbon.





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THE CURRENT FOREST CARBON PROJECTS AND LESSONS LEARNED FROM THE EMISSION REDUCTION AGREEMENT FOR THE NORTH CENTRAL REGION

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I. DOMESTIC FOREST CARBON PROJECTS



1. JICA/ GCF PROJECTS

- ODA project/ REDD+ result-based payment
- Buyer/ donor: GCF fund
- Implementing agency (AE): JICA
- Time: 2024-2029
- Reference period: 2014-2018
- Project region: 4 northwest provinces and 11 tỉnh northeast provinces
- Price: 5 USD/tCO₂e,
- Total budget: USD 150 million
- Credits: 30MtCO₂e
- The agreement between JICA and Viet Nam is under drafting
- Project concept: submitted in September 2020
- Prodoc: under finalization process



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2. FOREST CARBON PROJECT OF QUANG NAM PROVINCE

- The plan has been submitted to the government in 2020 but has not yet been approved and is being proposed to be included **in the LEAF project area**
- Buyers: BP group, South Pole Shell, Terra G First, Everland, Mirova Ecosphere
- Estimated credits: 1,6 MtCO₂e/năm
- Price: 5 USD/tCO₂e
- Time: 2020-2030



3. SK FOREST GROUP

- **Feasibility study:** conducted by UQ University – Technical Assistance Partnership 2022
- **Letter of Intent/ LOI:** unsigned
- **Geographical region:** Expected 15 northern provinces
- **Focal point:** Department of Forestry, Division of Science and Technology & International Cooperation
- **Readiness support:** SK expressed its intention to fund the technical assistance project for readiness
- **Carbon standards:** Verra carbon standards (VCS)
- However, this project is being paused



4. LEAF/ EMERGENT AGREEMENT

- Legal: signed 2022 Letter of Intent
- Estimated volume of GPT participating in LEAF: 11 million tCO₂e
- Price: 10 USD/tCO₂e
- Geographical region: NTB (6 provinces) and TN (5 provinces) ~ 3.24 million hectares of RTN
- ERPA Agreement: Under Negotiation
- Reference period: 2016-2020
- Credit period: 2021-2025
- Applicable carbon standard: ART TREES standard
- Selected option/Pathways #1 & 3: funded by governments and 100% contribution to NDC
- Financial Intermediaries/ FI: VNFF
- Technical assistance: USFS, FAO, UNEP



LEAF
Coalition

Coordinated by Emergent





II. THE LESSON LEARNT FROM THE EMISSION REDUCTION AGREEMENT IN THE NORTH CENTRAL REGION

1. GENERAL INFORMATION

1. **Legal basis:** ERPA agreement signed in 2020 and Pilot Decree 107/2022
2. **Price:** 5 USD/tCO₂e
3. **Contract value:** USD 51.5 million (*100% received*)
4. **GPT volume traded:** 10.3 million tCO₂e (*GPT phase 1 report 2018-2019: 16.2 tCO₂e*)
5. **Reference period:** 2005-2015
6. **Credit period:** 2018-2025
7. **Validity:** 28/12/2022 -31/12/2026
8. **Geographical region:** 6 BTB provinces
9. **Carbon standard:** FCPF



2. THE PROCESS OF ERPA SIGNING AND DECREE FORMULATION

2014: the concept of FCPF Emission Program was submitted
2015: MARD and World Bank signed Letter of Intent

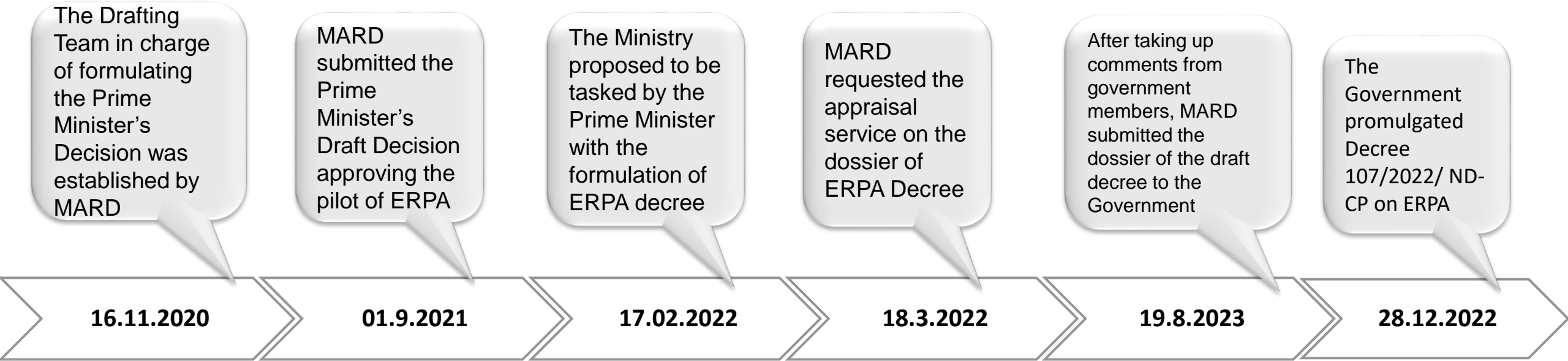
2018: The Emission Reduction Program was approved FCPF Foundation Board

2020: MARD promulgated a decision on establishment of the ERPA Negotiating Team

The draft decision of the Prime Minister to pilot ERPA was submitted by MARD



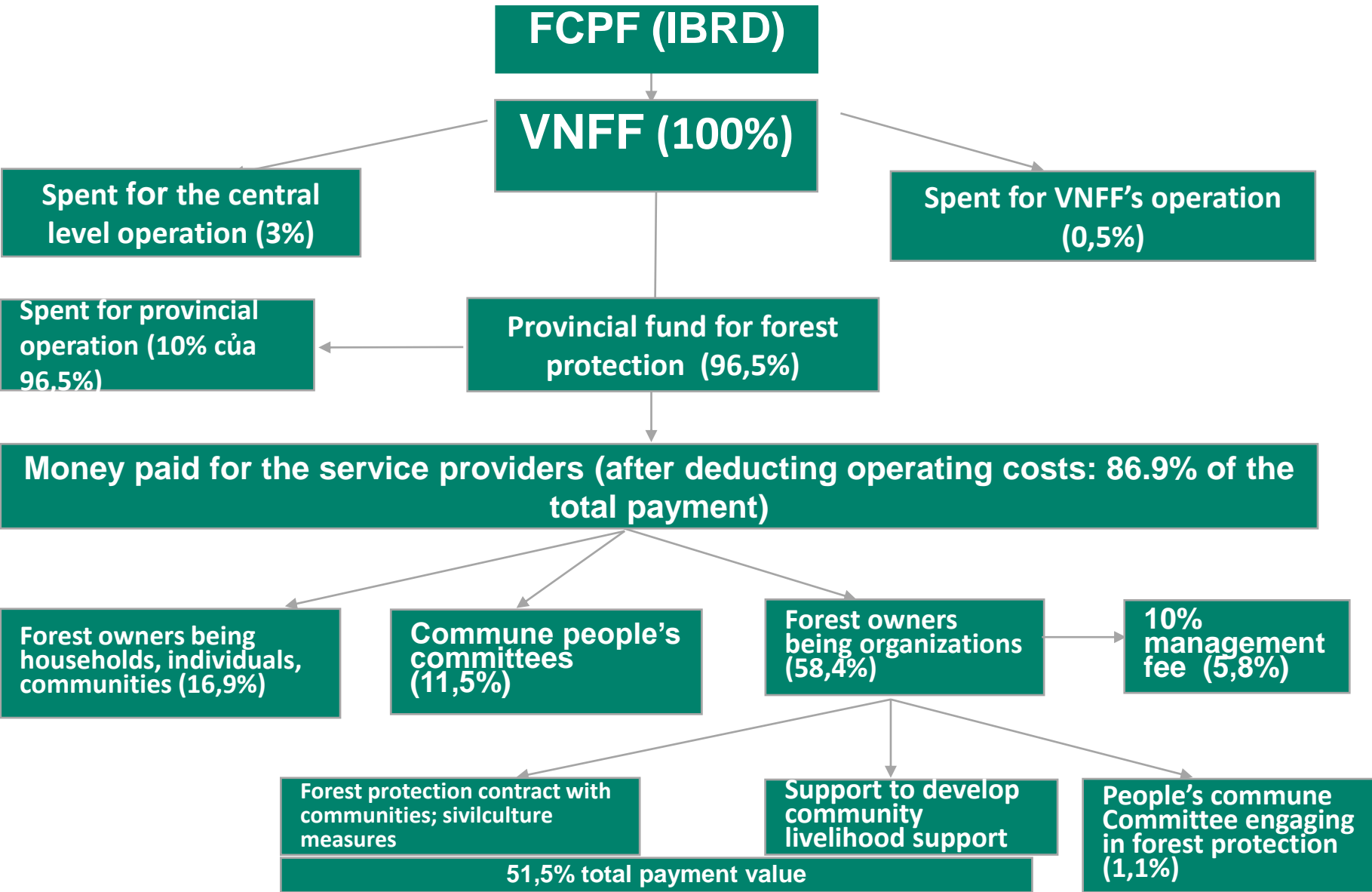
3. THE PROCESS OF ERPA SIGNING AND DECREE FORMULATION



MARD shall formulate and submit this decree to the Government for promulgation, and meanwhile developing a benefit-sharing plan based on the forest environmental service payment policy (PFES) stipulated in the 2017 Law on Forestry and Decree 156/2018/ND-CP through multiple consultations with various stakeholders



4. BENEFIT SHARING PLAN – CASH FLOW DIAGRAM



5. OVERAL FINANCIAL PLAN (Decision 641- MARD)

Or.	Category	2023	2024	2025	Total (million USD)
A	B	1	2	3	4=1+2+3
I	Funding retained by VNFF (3.5%)	0,525	0,639	0,639	1,803
1	Funding for management and coordination activities (0.5%)	0,075	0,091	0,091	0,258
2	Funding for ERPA activities at Central level (3%)	0,450	0,548	0,548	1,545
II	Funding for the coordinaton occure at the provincial level (96.5%)	14,475	17,611	17,611	49,697
	TOTAL	15,000	18,250	18,250	51,500



6. BENEFIT SHARING PLAN FOR PROVINCES (Decision 641- MARD)

Or	Province	2023	2024	2025	Total (Million of USD)
A	B	1	2	3	4=1+2+3
1	Thanh Hoa	2,443	2,973	2,973	8,389
2	Nghe An	4,236	5,154	5,154	14,543
3	Ha Tinh	1,849	2,250	2,250	6,349
4	Quang Binh	3,545	4,313	4,313	12,171
5	Quang Tri	0,768	0,934	0,934	2,636
6	Thua Thien Hue	1,634	1,988	1,988	5,609
	Total	14,475	17,611	17,611	49,697



7. STAKEHOLDERS/ BENEFICIARIES

1. Special Use Forest Management Board: 19
2. Protection Forest Management Board: 36
3. Economic organizations: 46
4. Army: 40
5. Training institutions: 2
6. Forest owners being household: 68,388
7. Forest owners being communities: 954
8. Forest owners being Commune People's committees: 570
9. Communities living in the vicinity of forests: 1,356

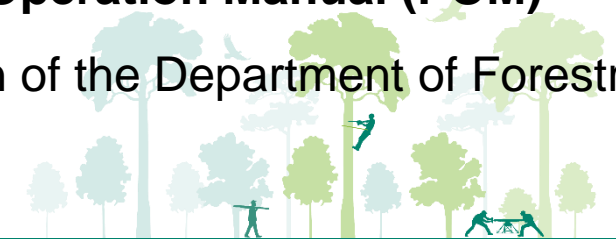


8. DATA REQUIRED FOR ERPA

Emissions reduction data	Data on Social and Environmental Safety Assurance Systems (SIS, SOI)	Feedback Mechanism data	Data for payment
<ul style="list-style-type: none"> • Data on the area implementing the Agreement (natural area, forest area, population, ethnicity, biodiversity, projects & programs...) • Development of the reference level 2005-2015 • Maps 2005, 2010, 2015 • NFIMAP survey data (2005-2010), • Data about activities causing deforestation, forest degradation => estimate emissions, absorption • Calculation of emission reduction results of the whole region 2018-2019 => separate each province (based on emission coefficient, natural forest area) => Comparison: reference >< reporting period 	<ul style="list-style-type: none"> • Safety measures • Legal documents, guidelines • Implementation resources 	<ul style="list-style-type: none"> • Legal documents, guidelines • Process • Number of violations and handled cases • Implementation resources 	<ul style="list-style-type: none"> • Total allocation • Natural Forest Area • Beneficiaries

9. FACTORS FOR ARCHIEVING SUCCESS

- **To successfully negotiate ERPA:**
 - Communication, awareness raising of different stakeholders is needed
 - In-depth and extensive consultations
 - initiativeness, proactiveness of MARD
 - World Bank's support and goodwill
- **In order to make the Phase 1 Emission Reduction Report available:**
 - The team of experts engaging in the formulation of Phase 1 Emission Reduction Report were leading experts in forestry carbon
 - World Bank Support: experts, funding
- **For the institutionalization process for Decree 107 => meet two ERPA validity conditions:**
 - (1)) Plan of benefit-sharing from ERPA
 - (2) Demonstration of the capacity to transfer the emission reduction right of MARD
 - Initiativeness and proactiveness of the Ministry of Agriculture
 - Explanation and justification by MARD
 - Support from ministries and governments
 - World Bank support
- **To issue the Programme Operation Manual (POM)**
 - Explanation and justification of the Department of Forestry
 - Goodwill of the World Bank



9. DIFFICULTIES DURING THE PREPRATION PROCESS

- **ERPA negotiation**
 - Transiting from ACMA approach to PFES mechanism is time-consuming
- **The Emission Reduction Report phase 1**
 - Through many rounds of justification to the Appraisal Agency, use the data & evidence from Aster Global in verification
- **Promulgation of Decree 107**
 - Many contents of the Agreement are not specified (reporting, financial management, etc.)
- **Issuance of the POM**
 - Different format requirements,
 - Different priorities:
 - The World Bank focuses on social safeguards, gender, ethnic minorities, complaints and feedback...*
 - The MARD focuses on money use management*



10. DIFFICULTIES DURING THE IMPLEMENTATION PROCESS

- Separate the **emission reduction data** for each province.
- **Review the natural forest area and beneficiaries** to ensure accurate and sufficient payments.
- **Disbursement** differs from the current practice following PFES regulations.
=> Disbursement is challenging due to regulations "overlapping" with budget allocations, especially for forest owners who are organizations.
- **The new requirements for reporting and personnel, along with different interpretations and priorities between the World Bank and Viet Nam:**
 - Different format requirements
 - Different priorities:
 - The World Bank focuses on social safeguards, gender, ethnic minorities, complaints and feedback...
 - MARD focuses on money use management



11. LESSONS LEARNT

1. It is necessary to determine in the Agreement what kind of funding this is, ODA or CPFES ...=> to apply appropriately use management

2. Timeline:

- It takes years to get ready and successfully negotiate the Agreement (2014-2020)
- It takes 2 years for an independent appraisal of the Emissions Reduction Report (2021-2023)

3. Resource:

- Large resources are needed for the development of Emission Reduction Reports and appraisal and verification of Emission Reduction results
- Capacity building for beneficiaries so that they can meet requirements

4. **Consultation:** It is necessary to consult with all beneficiaries to ensure the feasibility of implementation



11. LESSON LEARNT

5. Emission reduction:

- It is necessary to allocate the amount of reduced emissions for each province during the development of the Emission Reduction Report.
- It is also necessary to specify the approximate amount of reduced emissions for each branch and the maximum amount for additional purchases.

6. ERPA vs decree:

- It is necessary to ensure that all ERPA requirements are included in the Decree

7. **Communication** to the public should be enhanced to ensure that society understands the true nature of CPFES transactions.

The goal should be to enhance the provinces' understanding that this is a payment agreement for reduced emissions. Therefore, provinces with better forest protection results will receive less money than those with forest loss or smaller forest areas. Effectively conveying this message can increase the likelihood of agreement.



Thank you for your attention!

