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## **CLEAN DEVELOPMENT MECHANISM (CDM) AND LEGAL FRAMEWORK IN VIETNAM**

The world is coping with a serious climate change as a result of the environmental pollution and the emission problems. It is a fact, which has, so far, received special interest from all involved countries at the National, Regional and International levels. Vietnam is a developing country, which has had a prime goal to achieve a rapid development along with its industrialization and modernization process. It is also one of the countries appeared to be the most active participants in the impact mitigation activities of climate change. Vietnam Government ratified the strategy for National Environment Protection to 2010 and the orientation to 2020 in December, 2003. As far as international level concerned, the United Nations Framework Convention on Climate change (UNFCCC) and the Kyoto Protocol were signed respectively on June 11, 1994 and on December 3, 1998. This article will present in brief the CDM and the legal framework in Vietnam.

### **1. Some CDM briefs**

Clean Development Mechanism – CDM is established as a cooperative mechanism stipulated in the article 12 of the Kyoto Protocol, which allows state and private organizations and businesses of developed industrialized countries and international organizations to invest in projects to reduce the emissions in developing countries to receive credits in form of “certified emission reductions”<sup>1</sup>.

Activities of the human being has emitted a great quantity of emissions such as carbon dioxide (CO<sub>2</sub>), HFCs, CH<sub>4</sub>, N<sub>2</sub>O etc...; the other industrialized gases, among which CO<sub>2</sub> and CH<sub>4</sub> gases are two important ones contributing to the green house effect. The green house effect has caused the earth temperature to increase. In 100 recent years, the amount of CO<sub>2</sub> and CH<sub>4</sub> has increased up to 20 % and 90 % respectively. This increase has made the earth temperature increase to 2°C. This phenomenon is called to be the global warm-up, which has caused many other issues of the climate system such as sea water rising, flooding, etc.

In order that the average temperature can be effectively addressed and minimized, at the United Nations Conference on Environment and Development in Rio De Janeiro, Brazil in June, 1992, 155 Governments and States participated in the signing of the United Nations Framework Convention on Global Climate Change with the objective to stabilize the atmosphere of the green house to the extent that can prevent the dangerous intervention of the human being to the climate system.

The Kyoto Protocol was signed under UNFCCC in the third conference with UNFCCC participators in Kyoto, Japan in December, 1997. This is the first important legal international document, marking the joint efforts of countries in minimizing the global green house effect emission through the specific commitments from each member countries. CDM has come into being in the context of the special attention to the goal to reduce the cost effective green house effect emissions while still to strengthen the efficiency of environmental improvement by the international community. To attain this objective, Kyoto Protocol has provided three mechanisms, including the international emission Tradings (IET) and Joint Implementation and Clean Development Mechanism (CDM). Eligibility for participation in CDM is that three

basic requirements per the Kyoto Protocol, which includes ratification of the Kyoto Protocol, the voluntary participation in CDM and the establishment of the National Agency for CDM must be met. In addition, the learning by heart of a list of the nations listed in the Appendix I<sup>2</sup> and meeting some specific conditions as per the article 3<sup>3</sup> of the Tokyo Protocol are required to be observed by all countries. On the global sphere, to carry out and supervise the CDM projects in each country, the International Executive Board on CDM (hereinafter referred to as EB) is appointed as a representing agency for the implementation of the registration and supervision of CDM. EB has recognized and delegated its power to independent institutions and operative organizations to approve proposals on CDM projects, to verify the emission reduction results and to certify the emission reductions. The other important task of EB is to maintain the member registration for CDM. The registration shall be basis for promulgation of new CERs, management and calculations of receipts from CERs for the adaptive fund and at the same time, contributing to making payment of the overhead charges and maintaining the CERs calculations for the each party, which is not subject to the Annex I, being the host country of the CDM project. For member countries, before their participation in CDM, they must set up a National Authority for CDM for evaluation and approval of CDM projects while as a focal agency for international cooperation.

The Clean Development Mechanism operates as the Carbon Quota Market (types of exhaust emissions are converted into the equivalent Carbon). CDM has allowed the state and private businesses in industrialized countries to carry out the emission reduction projects in developing countries and in return, these businesses will receive the CER credits and shall be calculated in the emission reduction target of the industrialized countries. This is a win – win mechanism (mutual benefit mechanism), which brings about the environmental and economic interests of both sides – the industrialized countries (the investors for CDM project) and developing countries (the countries which receive the CDM project). However, in fact, in order to help such developing countries to accept the implementation of CDM in their own countries, such industrialized countries must prove that CDM is likely to reduce the emissions and establish a baseline to estimate the minimization in future if these projects do not exist. The main methodology to calculate the efficiency of the CDM project is to compare the estimated amount of emission of the project with the reference emissions (baseline emissions). The project must be proved by a third party, called to be DOE to assure that the project results are measurable, countable and can help reduce emissions in the long run. If the project is registered and carried out, the Authorities on CDM will issue the CERs credits (each corresponding unit reduces 1 cubic meters of Carbon Dioxide (CO<sub>2</sub>) or equivalent gases converted into CO<sub>2</sub>, 1 CER is equal to 1 ton of Carbon Dioxide) to the project participators based on the considerations of the difference between the baseline and emissions in the reality (if the project does not exist). In addition, in consideration of the economic aspects, the funds from CDM projects shall help developing countries to achieve the sustainable development objectives such as the air and water air reduction, land use improvements, afforestation, and replacement of the fossil fuel Natural Resources etc. Developed countries are also expanding and diversifying the CDM market positively to the developing countries to implement the commitments as per the Kyoto Protocol as well as to cope with the global climate change.

The clean development mechanism has been at the forefront of both developing and developed countries because this mechanism allows the developed countries to be able to fulfill their commitments to reducing emissions effectively while the developing countries will be able to implement the objectives to protect the environment and develop sustainably. With commitments to reducing/cutting the emissions under the United Nations Convention Framework Convention on Climate Change, industrialized countries must invest, renovate, and improve the less effective-costly technology. In developed countries, to reduce 1 ton of Carbon Dioxide (CO<sub>2</sub>), these governments have to spend an average cost of around 30 to 40 USD as the investment, while if they subsidize the developing countries to improve the production technology to minimize the green house effect gas and to buy the emission quota from these

countries, it only costs about 7.5–16 US dollars [Quá ít doanh nghiệp tham gia... 2009]. This difference has formed a market on which the emission targets are on sale.

Green house effect emission trading market is a relatively new and pure market where the purchaser is the Governments of developed countries, groups, giant companies of industrialized countries and the seller is the developing country, including Vietnam. Unlike other common markets, apart from such purchaser and seller, a designated international Institution must be appointed for verification and making proposal to the Executive Board (representative for the participating countries) to recognize and issue the certificates.

The dramatic CER price change shall be subject to the risk of each project. As a rule, the seller tends to pay higher for the projects, which have a huge amount of CER with sustainability as far the environmental and social aspects as concerned. The project owners also afford the better prices if they are willing to bear the domestic project development cost including the development of the CDP project design documents (PDD) and obtaining the approval from the host country.

While it is a new market, the CER trading market is no less active market from other new markets. Price of 1 CER is about 3–4 dollars in 2003, but at present, it has increased, price of 1 CER is fixed at 13–14 Euros in some places in Europe. To explain this, according to Mr. Nguyen Trung Viet, the Manager of Solid Waste Management Office under the Department of Natural Resources and Environment of Ho Chi Minh City, he said that when the Tokyo Protocol took effect, it meant that all countries participating in this protocol must cut/reduce the Green House Effect Gas/Emissions as committed, specifically, cutting Carbon Dioxide Gas (or some types of equivalently converted gases) [Quốc Thanh 2006].

Despite the fact that it is impossible to avoid to certain influences of the world economic crisis, the CERs trading market has step by step regained the momentum of growth. By mid January, 2009, CERs transacted in the European Market was at the lowest price/rates of 7 euros per ton of Carbon Dioxide (CO<sub>2</sub>). However, the carbon credit price was then back to the stable rate of about 11 to 13 euros per ton of Carbon Dioxide. According to the studies by the Point Carbon Analyzing Company, with the current demand market, CERs credit will surge and can reach the average of about 21 euros per ton of Carbon Dioxide in the period from 2013–2020 [Phát triển sạch...] and up to 2020, the forecast on the global carbon credit purchase/sale can go up to thousands of billions of euros.

Until October, 2010, there were 192 [Sau 2012... 2010] countries and representatives of countries approving the Kyoto Protocol, and if all countries can reduce the Green House Effect Gas/emissions as their commitments, total emissions will thus reduce to 661.6 % from the target set out for the entire world.

According to the evaluations of the experts, the energy is the hottest area of CDM projects all over the world (60.4 %), then, followed by the waste treatment and destroying sectors (17.59 %) and agricultural production sector (breeding and cultivation) (5.28 %) [Tình hình xây dựng 2011]. Asia-Pacific is the busiest region for CDM projects (82.06 %). According to the statistics of the Secretarial Committee of United Nations Framework Convention on Climate Change, total 4,646 CDM projects have been registered up to February 3, 2012. Among these figures, China has the greatest number of registered projects, with 1,698 projects, accounting for 46.57 % of total projects. It is secondly followed by India, with 749 registered CDM projects, accounting for 20.64 % of total projects. Brazil and Mexico come thirdly and fourthly respectively, such two countries account for 5.43 % (198 projects) and 3.68 % (134 projects) [Bán giảm phát... 2011]. Vietnam is ranked the sixth with 91 projects. The greatest number of countries investing in CDM project is United Kingdom, Ireland, Netherlands, and Japan. While United States pays attention to the CDM market in Latin American Countries, Asia is the important partner of the EU. The amount of CERs granted to host countries was 329,981,102, in which China is the leading country receiving CDM projects, accounting for 45.72 %, India, Korea, Brazil come ahead of Vietnam of 1.36 %, with 21.65 %, 13.41 %, 10.42 % [Tình hình xây dựng... 2011]. It is notable that while China and India have

attracted a lot of financial and technical assistance from developed industrialized countries for CDM projects, Vietnam and some other South East Asia countries have not been helped much in this regard.

So, climate change fighting is an important objective facing the world. Applying the Clean Development Mechanism (CDM) is one of the important solutions toward this goal. However, taking the Clean Development Mechanism into the orbit has, so far, not been full bloom. First, this is due to some big countries' lack of active participation of big countries such as the United States in the commitments to cutting the emissions under the Kyoto Protocol. On the other hand, Kyoto Protocol has not yet made clear and concretized the methods and institutions related to the CDM activities, there even have had so many disagreements in this issue. Kyoto Protocol expires in 2012; however, the controversy raised in UNFCCC meetings over whether keeping, making changes or replacing KP is still the main concern of governments and countries. Even though there are different opinions and doubts about the true value and the operational mechanism of this mechanism, without the failure of persuading government of big countries like EU, Japan, Canada in maintaining KP mechanism, the carbon market will be sustained after 2012 [Có nên tiếp tục CDM 2011].

## **2. Legal framework on Clean Development Mechanism in Vietnam**

### **2.1. Legal framework**

Vietnam is paying great attention to the climate change and accelerating the activities to implement United Nations Framework Convention on Climate Change, the Kyoto Protocol and the CDM protocol. Although Vietnam is a country classified among countries not included in the Annex I<sup>4</sup> (non – annex I), it is a country, which has potential to implement the emission reduction. Series of legal documents and relevant guidance from the Government and the Agencies/Ministries have been promulgated since the signing of the Framework Convention on Climate Change in June 11, 1994 and the Kyoto Protocol on December 3rd, 1998 and approval of it on December 25, 2002 [Cơ chế phát triển sạch...].

– The Directive No. 35/2005/CT–TTg dated October 17, 2005 of the Prime Minister with regards to the implementation of the Kyoto Protocol under the United Nations Framework Convention on Climate Change – this legal document provides guidelines to the Ministries and the Governmental Agencies as well as the People's Committees of provinces to implement it effectively. This Directive has defined the role of the Ministry of Natural Resources and Environment as a main executing agency of the Government in participating and implementing the Kyoto Protocol. The Ministry of Natural Resources and Environment has the responsibilities to build the Kyoto Protocol action Plan from 2006 to 2010 and to define the areas, prioritized fields of Vietnam, which are consistent with the socio-economic plan of the country in the period of 2001–2010. The Ministry of Natural Resources and Environment together with other Ministries, Agencies such as the Ministry of Planning and Investment, the Ministry of Finance forecast the CERs market, instruct the agencies, organizations and businesses to develop CDM projects in Vietnam, incorporate the programs of Ministries, Agencies, localities during the implementation of the Clean Development Mechanism with the practical activities implementing the International Conventions on Environment, of which Vietnam is participating in and build the legal documents, financial mechanisms for CDM projects such as tax preferential policies, credit interest etc. The Ministries and Agencies plan to attract the domestic and foreign capital to CDP projects in the energy fields, industry and waste management, transport and agro-forestry areas.

– The Decision No. 47/2007/QĐ – TTg dated April 6, 2007 of the Prime Minister on approval of the action plan for implementation of the Kyoto Protocol under the United Nations Framework Convention on Climate Change in the 2007–2010 period. The fundamental objective of this Decision is to mobilize all resources to carry out the socio-economic development in the 2007–2010 period toward the rapid and sustainable development, to carry out the environmental protection in accordance with the United Nations Framework Convention on

Climate Change and Clean Development Mechanism, to take advantage of preferential benefits offered to the developing countries by the Kyoto Protocol, to attract the domestic and foreign funds to CDM projects by improving the technology, to receive the high and clean technology and modern technology and to manage the natural resources, climate efficiently to contribute to reducing the green house emissions.

To build and complete the legal framework, the legal document system related to the convention on Climate Change, the Kyoto Protocol and the Clean Development Mechanism, to propagate the awareness improvement, to train the human resources, to complete the organizational structures and to strengthen the technical and material infrastructure, to carry out the fundamental investigation, the scientific studies, to promote the international cooperation etc.

– The Decision No. 130/2007/QĐ – TTg dated August 2, 2007 of the Prime Minister on some mechanisms, financial policies as to investment projects under the clean development mechanism. This Decision provides the preferential policies as to the businesses involved in the Clean Development Mechanism Project such as policy on business income tax exemptions, import tax exemptions for imported goods to create the fixed asset of the project, provides the amortization rates for fixed assets, imported goods being raw material, supplies, semi-finished products which have not yet been produced locally, exemptions, and reduction of land use amount, land lease amount and in some cases, product of the Clean Development Mechanism will be subsidized.

– The Circular No. 58/2008/TTLT – BTC – BTNMT dated July 4, 2008 provides guidelines on a number of articles of the Decision No. 130/2007/QĐ–TTg dated August 2, 2007 of the Prime Minister on some mechanisms, financial policies as to investment projects under the Clean Development Mechanism. The Circular provides specific guidelines on collection, payment, management and use of the fees from the sale of Green House Effect Emission Issuance Certificates including CER management from ODA projects and the price subsidy for the products obtained from the Clean Development Mechanism Project.

– The Decision No. 1016/QĐ–BTNMT dated July 4, 2007 on preparation of the Central Steering Committee for implementation of the United States Frameworks Convention on Climate Change, the Kyoto Protocol based on the Executives and Consultative Board's instructions on clean Development Mechanism.

The Central Steering Committee under the Ministry of Natural Resources and Environment has been designated for the implementation of the framework convention of the United Nations on Climate Change and implement the Kyoto Protocol and formulate the legal documents, materials, policies and measures related to the Climate Change with a view to implementing the framework convention of the United Nations on Climate Change and the Kyoto Protocol in Vietnam.

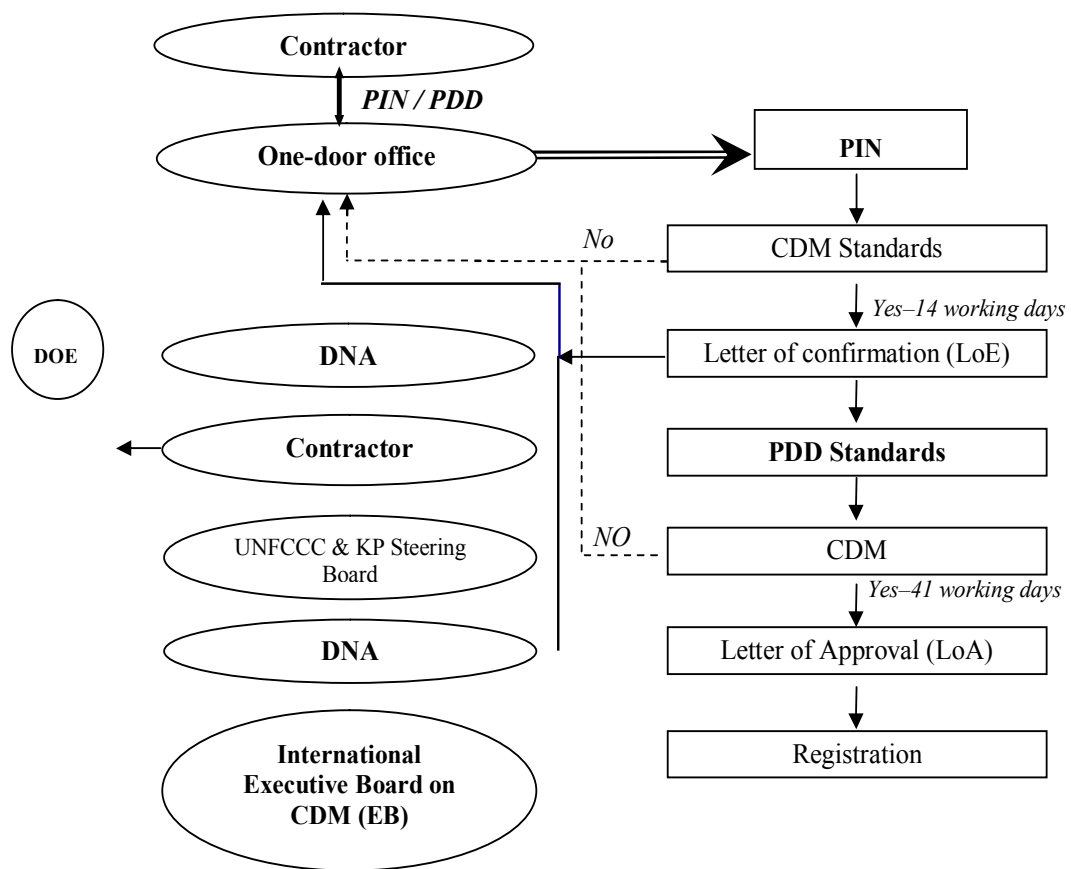
– The Decision No. 743/QĐ–BTNMT on consolidation of the UNFCCC steering Committee and the Kyoto Protocol was issued by the Minister of the Ministry of Natural Resources and Environment on April 4, 2009. This Decision has replaced the Decision No. 1016/QĐ–BTNMT dated July 4, 2007 of the Minister of the Ministry of Natural Resources and Environment, whereby, the Steering Committee together with the new members have the tasks to help the Minister of the Ministry of Natural Resources and Environment to instruct, manage and coordinate all activities to implement the United Nations Framework Convention on Climate Change, the Kyoto Protocol and Clean Development Mechanism in Vietnam.

– The Circular No. 15/2011/TT–BTNMT dated on April 28, 2011 of Ministry of Natural Resources and Environment makes amendment and supplement of some articles and provisions in Circular No. 12/2010/TT–BTNMT dated on July 26, 2010 stipulating the construction, the confirmation letter and approval letter under the Clean Development Mechanism within the framework of the Kyoto Protocol (Circular No. 12/2010/TT–BTNMT replaced the previous Circular No. 10/2006/TT–BTNMT dated December 12, 2006 which provides guidelines in building CDM projects within the framework of KP). The Circular clearly states the total approval time for PIN as specified in Article 6 is no more than fourteen (14) working

days; total consideration time for PDD or PoA-DD as specified in Article 8 is no more than forty one (41) working days [Thông tư 15/2011...].

The above-mentioned legal documents are important legal basis to promote the implementation of the clean development mechanism in Vietnam. The guideline system which is gradually being completed has demonstrated the determination of Vietnam in its commitment of UNFCCC implementation. State's incentives for businesses participating in the CDM project through specific guidance are reflected in the decision No.130/2007/QĐ-TTg and the reduction of the approval duration for the CDM project design documents (PDD) or the CDM Program of activities Design Document (PoA-DD) not later than 41 days in Circular No. 15/2011/TT-BTNMT has shown the determination the Vietnamese Government in encouraging businesses to take part in CDM project.

**Procedures for registration and approval of CDM project in Vietnam**



**2.2. The implementation of CDM in Vietnam**

As one of the developing countries, Vietnam has committed with international organizations such as signing the Framework Convention, Kyoto, participating CDM project, approving the protocol and so on and has fully met conditions under the provisions of international organizations on the construction and implementation of CDM project. Vietnam also has many sectors that have researched and built potential projects on CDM in areas such as conservation and energy efficiency, conversion of fossil fuel use, recovery and use of CH4 from landfills and coal mining, renewable energy applications, afforestation and reforestation, recovery and use of associated gas such as Rang Dong associated gas mine and Thanh Hoa Brewery. Of these areas, there are project ideas, which have attracted the attention of foreign

investors. Although Vietnam is being assessed to be a CDM potential country in the fields of energy efficiency, reforestation, recovery of waste gas and livestock in the 2001–2010 period, this country can reduce by about 80–120 million ton of CO<sub>2</sub>; however the number of enterprises nationwide participating in this market is very small and not commensurate with its potential. One of the reasons is that most enterprises in Vietnam are small-sized and medium-sized enterprises, while the norms that the International CDM Executive Board has given are too high for Vietnamese businesses (reduction of 10 tons of industrial CO<sub>2</sub>/enterprise per year) [Quá ít doanh nghiệp tham gia... 2009]. Besides, there has been a lack of awareness among enterprises in the model of operation and the self-assessment of their ability when participating in the clean development mechanism.

As for November 06, 2011, Vietnam has 91 CDM projects recognized by EB [List of CDM project in Viet Nam 2012] with the total amount of emission reduction of nearly 42,380,229 ton of CO<sub>2</sub>. In term of the number of projects, compared to the previous year, 2010, Vietnam has gone up from 11<sup>th</sup> to 6<sup>th</sup> among the countries with many projects being recognized and registered by EB.

The first registered and the biggest project in Vietnam, which has received money from selling CERs is the joint venture project of “Recovery and utilization of associated gas in Rang Dong mine” (by the Corporation of Vietnam Oil and Gas, Vietnam – Japan Oil & Gas Company, Oil and Gas Exploration and Exploitation Company, Conoco Phillips Gama Company – Great Britain). The project is successful because its investor is a big business with subsidiaries operating in the financial sector, and has good international relations. The remaining majority of projects in Vietnam are projects on hydroelectricity, wind power, reforestation, and energy recycling in waste landfills, sewage treatment plants in cassava starch processing factories and methane collection in the wastewater treatment system and so on. Therefore, more and more emission buyers pay their attention to CDM market in Vietnam. They include end users such as governments listed in Annex I and the power companies in Japan and Europe as Tohoku Electric Power, Tokyo Electric Trading BV, and Shell International and so on. Also, carbon funds and intermediary agencies such as AB or Tricorona EDF Trading also have operated in the Vietnam market.

CDM and purchasing mechanism of emission rights is new to our country, so the State management plays an indispensable role in implementation. The Government needs to pay attention to the direction and coordination of the review and approval of CDM project as well as directing the emissions trading on CO<sub>2</sub> credits, integrated with the priority policies of the country and establishing the relationship between CDM and other development mechanisms to avoid the overlapping and contradictory.

One of the first important tasks is to determine priorities for the participation in CDM. The Government has identified three priorities, including: Upgrading and improving the existing technology (energy efficiency improvement, reform and modernization), applying advanced and environmentally friendly technologies; projects under the programs and orientations encouraged and given with priorities by the State. Specifically, the areas which are encouraged to perform include:

Energy efficiency: improving the performance and power transmission, upgrading energy efficiency in industry and buildings;

Energy Renewal: encouraging the exploitation and use of energy from sources such as biomass, solar and wind energy.

Forestry: encouraging projects of carbon reservoirs protection (protection and conservation of existing forests, forest management strengthening, and effective use of forest resources) and efficiency improvement of the carbon reservoirs (afforestation) [Tập chí hoạt động khoa học].

However to implement the CDM, Vietnam will face with many obstacles and difficulties. Specifically:

*First*, there is still a lack of legal documents and administrative mechanisms for managing and implementing CDM. The awareness on CDM of policy makers and the public is still not high. Thus, in the future, it is necessary to overcome these barriers to ensure achievement of immediate and long-term objectives of CDM.

*Second*, Vietnam lacks the targets of greenhouse gas emissions – baseline. This is the basis for businesses to do comparison when building emission reduction projects to receive financial support from developed countries. On the other hand, the implementation of CDM projects still face with many difficulties in calculating the emissions, determining the level of CO<sub>2</sub> and other greenhouse gases emissions when building CDM projects for many areas. Only on the basis of calculating the emission rate in a scientific and recognized way, the enterprises can compute the reduction of greenhouse gas emissions that they achieve in comparison with the base level. Therefore, when building the CDM projects, projects are often calculated separately for the type of projects and difficult to persuade the international arbitrators. So, the agencies and ministries need to jointly build a methodology for enterprises to have a basis for determining the emissions of individual sectors.

*Third*, due to many reasons, the majority of CDM projects in Vietnam have small-scale capital. In addition, because businesses are often not clear in the procedures for loans from international organizations, the project with foreign loans are often slowly approved. Therefore, the Finance Ministry in coordination with the Ministry of Natural Resources and Environment and other relevant agencies have build a financial mechanism for buying and selling CERs for projects using ODA capital through banks so that the business are more advantageous in capital access.

*Fourth*, the Decision No. 130 offers many tax incentives and support for imported products related to CDM, but in fact many companies still face with many difficulties in enjoying these incentives due to the specific characteristics of the technologies applied in the CDM projects as well as the project's main product and additional products (the project's added products); the enterprise lacks specific guidance from managing agencies, the consistency in the law is not high and administrative procedures are complex. To solve this problem, the Ministry of Natural Resources and Environment in coordination with the Ministry of Finance and other relevant authorities have quickly given specific instructions for each form, field of CDM projects development so that these enterprises have the opportunity to approach the State's sanctions.

*Fifth*, greenhouse gas emission reduction trading market is quite new, market participants are businesses, governments, organizations... of the industrialized countries, CDM businesses and the number of exchanged CER certificate will be certified by a third party (the brokerage firms); so it needs to have the connection role of the state managing agencies as a consultant to businesses, not just as the guide on administrative procedures as at present so that enterprises can actively seek partners to exchange as well as building and registering projects for their units (at present, all the CDM enterprises in Vietnam rely on foreign brokerage consulting firms).

*Sixth*, the state managing units and especially the businesses have less information on this market, so even though the potential of the Vietnam market is very big, there are few businesses building and registering CDM projects for their units.

*Seventh*, the CDM businesses are late in registering with EB. To be recognized as CDM projects by EB, it takes long time and many procedures so the businesses just register in the national level. After the projects are granted with certificates by domestic DNA, within 24 months from the granting date, they must complete the registration of PDD with EB. However, because of different reasons, a lot of Vietnamese businesses are often late in stage of carrying out procedures with EB. Therefore the State should widely popularize and offer more information to businesses so that they can consider when participating the market. It is necessary to encourage businesses to approach as quickly as possible. Besides, for developing countries in general and Vietnam in particular, when implementing CDM projects, they should



also discuss or consider because this is a mechanism of cooperation between a country which is obliged to reduce greenhouse gas emissions and a country which has no obligation to reduce greenhouse gas emissions, it is a win-win opportunity: mutually benefit. However the composition of the CDM and partners shows the diversity and complexity of the application of CDM in each country and each partner; thus, it is necessary to be careful in analyzing and approving CDM methods and institutions. It not only ensures the rights of the country but also meets the goals given by UNFCCC.

It can be said the Kyoto Protocol in general and CDM in particular has brought a great potential for developing countries. The participation in the CDM process will open up great opportunities for reducing the environmental problems in the host country. Besides, the CDM implementation will have competitiveness because it is invested and transferred with technologies from developed countries. In addition, CDM also creates benefits on economy and society as well as employment, income improvement and economic development ... in developing countries. Moreover, the CDM also creates the advances in climate and environmental sustainability. For developing countries in general and Vietnam in particular, these countries have to pay attention to socio-economic development; thus the benefits from CDM projects will provide important momentum for them to actively participate in. In the conference in Durban, South Africa (December 2011), despite the tense debate, by the end, “Kyoto period II” has been created. It is considered a success to developed countries as the world’s biggest emissions like USA, China, India ... will only participate from 2020 and this is far from now? Thus, there is a need of a next commitment period for Kyoto Protocol to maintain such an interim agreement until negotiations on new agreement started. The expiration time for KP in 2017 or 2020 will continue to be discussed at the United Nations conference. This indicates the trading emission market in the world will continuously hit and also means limited investment in CDM projects to developing countries, including Vietnam. However, with the objective of sustainable development, mitigating the effects of natural disasters, all countries must work together to develop a green, clean economy and minimize the greenhouse gas emissions – developing low carbon economy. That means that the international community pays a lot of attention and works together for a low emission environment; and so the clean production mechanisms will still work. This is a trend that Vietnam will continue to actively implement.

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<sup>1</sup> According to the Circular No. 10/2006/TT-BTNMT dated 12/12/2006 guiding the preparation of CDM within the framework convention of the government.

<sup>2</sup> Annex I has been stated in the protocol framework of the United Nation about the Climate Changes. The countries in the Annex I are the developed countries or the countries in the transition period to the market economy, which commit to reduce admission to at least 5 % bellow to the level in 1990 during the period 2008–2012. Different countries have their own strategies to achieve their goals.

<sup>3</sup> Provision 3 of the Kyoto Protocol indicates in details the level of emission deduction and quantity of emission for industrialized countries.

<sup>4</sup> The countries not belonging to the Annex I are the developing countries and are not subjected to commit for emission reduction or not targeted for emission reduction.

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