

Contract Research Consigned by Ministry of Environment (Year 2002)

**Research on Clean Development Mechanisms Responding to Climate Change
Feasibility Study of Environmental Forestation as CDM Project Financed by Private Fund**

1. Objective:

The research intends to formulate projects with high effects with regard to CDM. In order to accumulate knowledge on national and international rules concerning CDM frameworks and on the process of procurement of carbon credits, feasibility study is implemented on environmental forestation CDM projects in Vietnam through private financing.

2. Research Outline

2-1 Basic research on CDM in Vietnam

Investigated current Vietnam's policies in response to climate change, CDM framework, and needs of capacity building;

Confirmed CDM system in Vietnam, local needs on environmental forestation projects, and preconditions for environmental forestation implementation and related issues.

2-2 Basic research on forestation in Vietnam

Investigated the potential forestation area in A Luoi district of Thua Thien Hue province with regard to weather, vegetation, land use, constraints, pests and forestry disasters;

Investigated direct and indirect influence from the above factors on forestation implementation.

2-3 Data analysis on CDM

- (1) Current biomass stock for baseline setting, and estimate on biomass stock in the future with full consideration of possible changes on the land;
- (2) Estimate on growth rates of trees and quantification of their different carbon sequestration;
- (3) Uncertainties on forestation;
- (4) Barriers on environmental forestation project, suggestion on counter measures to overcome the barriers.

2-4 Economic analysis

Studied different paradigms related to economic analysis of the forestation

project;

Studied the process of certification of carbon credits and international trend on emission trading;

Risk analysis and study of project “financial models”.

Evaluated the project design with criteria of project boundary setting, emission reduction effects, cost benefit ratio, implementation system, and sustainability;

Organized and participated the field study with local partners (MARD, HMS, etc.) to collect information and data required for research items from 2-1 to 2.4

3. Research Achievements

3-1 Project design

As a result of the study in A Luoi district of Thua Thien Hue province, out of 13,000 hectares of candidate sites area of 4,247 hectares is identified as suitable for environmental forestation CDM project by private financing. Hence project is formulated entitled “4,000 Hectares Environmental Forestation Project in A Luoi District of Thua Thien Hue Province of Vietnam”. As the first step to materialize the forestation project as well as an attempt to collect information valuable information on such projects, a pilot project in the candidate site of A Luoi district is under planning.

3-2 Future task

The research finally clarified various problems in implementing the designed project.

- Identification of the forestation area to be financed by private fund (problems on the disqualified area)
- Implementation system
- Financing and capital flow
- CDM related issues
- Social and natural sustainability
- Land ensuring