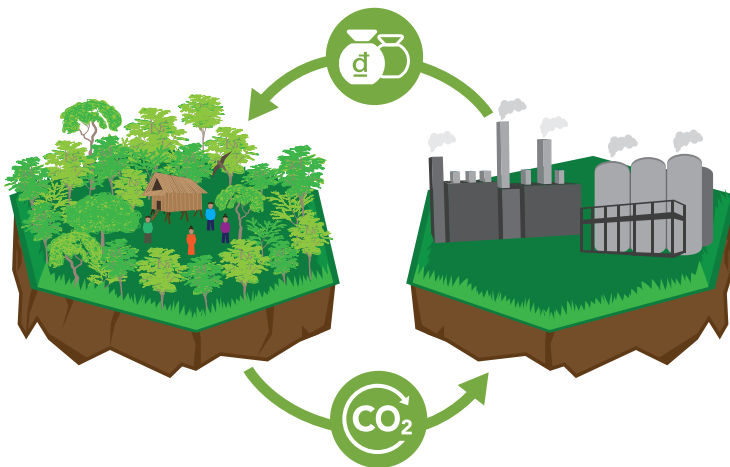




# CARBON PAYMENTS FOR ENVIRONMENTAL SERVICES (C-PFES)

## What is C-PFES

Local companies that emit large amounts of greenhouse gases (GHG) pay forest owners to plant or maintain healthy forests which absorb and store GHGs.



## Why C-PFES

Activities such as burning coal to generate energy and cement production contribute to the high concentrations of GHGs in the atmosphere that are causing climate change, which is already having negative impacts on our economy, health and environment.

C-PFES offers a way to mitigate climate change and provide benefits in Vietnam at many levels:

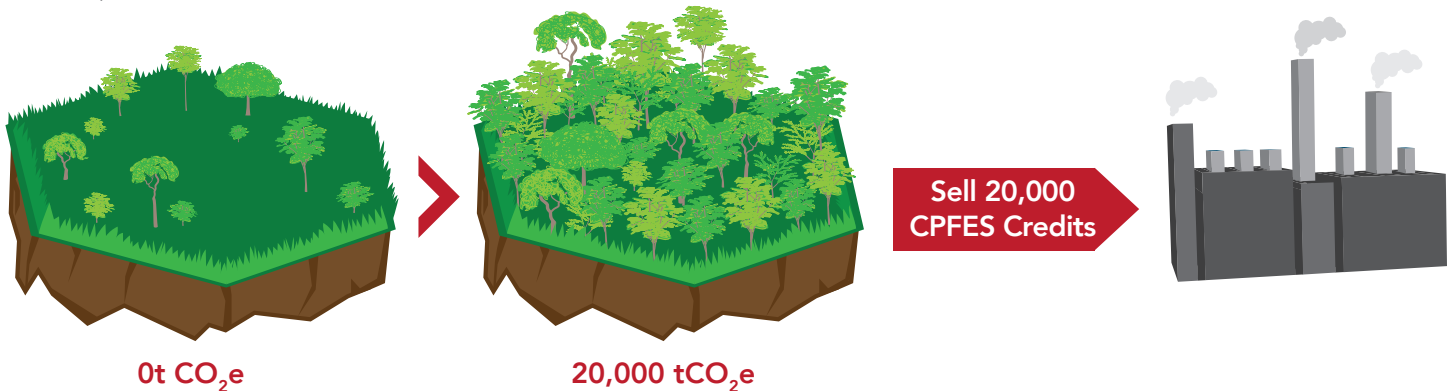
**Benefits to local communities.** Creates revenue for forest communities that manage forests sustainably.

**Benefits for Vietnam.** Helps Vietnam achieve its international climate change commitments and sustain the environmental services provided by its forests.

**Benefits for the planet.** Planting trees, restoring mangroves and maintaining healthy forests removes carbon dioxide (CO<sub>2</sub>) from the atmosphere, which is the greenhouse gas most responsible for climate change.

## Potential C-PFES Mechanism:

An example of how C-PFES could work:



**The large emitter:** Pol-Lute Electricity Company currently produces: 100,000 t CO<sub>2</sub>e/year.

**The forest owner:** Forest owner plants trees on 100 hectares of bare land. Each hectare removes 200 tCO<sub>2</sub>e/year, therefore the planted forest removes 20,000 tCO<sub>2</sub>e/year from the atmosphere.

**Potential C-PFES Rule:** The new C-PFES rule asks that any large emitter pay forest owners that plant tree, mangroves and/or maintain healthy forests, to compensate for all tones of CO<sub>2</sub>e that they emit above an 80,000 tCO<sub>2</sub>e/year limit.

**C-PFES Implementation:** Pol-Lute Electricity Company pays Forest Owner A for the 20,000 tCO<sub>2</sub>e it is emitting over the 80,000 tCO<sub>2</sub>e limit.

## C-PFES Design Questions

- Who should pay (e.g. large CO<sub>2</sub> emitters such as coal-fired power stations, cement companies).
- How much should they pay?
- How to pay?
- How to use C-PFES funds
- How to quantify to impact of C-PFES (Environmental, social, economic benefits)

## C-PFES Regulatory Context

Vietnam's Payment for Forest Environmental Services (PFES) program has been an evolving success for the country and a global model. The Vietnam Forest Protection and Development Fund (VNFF), oversees PFES at the national level and 44 provincial funds. Total PFES revenues by the end of 2017 was over VND 8,219 billion (USD\$350 million) from 494 "payers" nationwide, including: 339 hydropower companies, 96 municipal water companies, and 59 tourism companies. In 2017, PFES revenues were used to protect 5.98 million hectares of forest, or 45% of the country's forest areas.

VNFF now faces a unique opportunity to build on PFES success by including payments for carbon removal and storage (carbon sequestration) by forests. Carbon-PFES can greatly contribute to the USD\$1 billion needed by 2030 to ensure success of Vietnam's proactive climate change policies and its nationally determined contribution (NDC) to the Paris Agreement on climate change.

