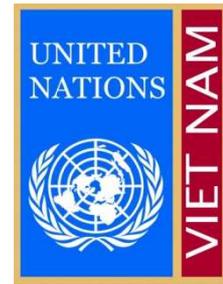


Viet Nam and climate change action: strategic priorities

Synopsis of advice by Yvo de Boer and Dennis Tirpak

(This synopsis is written by the UN in Viet Nam, based on presentations by these two experts and discussions with national leaders and experts, UN experts, as well as donors based in Viet Nam in November 2010)



Climate change effects and adaptation

1. **Climate change effects** are and will be very significant, including mean sea level rise and weather extremes (storms, floods, storm surges, droughts, heat waves). Viet Nam has a huge coastal and lowland region, which includes major cities, economic zones, and tourist destinations. Climate change affects development potential, it causes economic losses, poses risks of illness and disease, can increase poverty, and it can cause social and political upheaval.
2. **Adaptation** to climate change should be **integrated in social economic planning at all scales**. It will be ongoing for many decades with distinct, but inter-related needs at the short-, medium- and long-term timescales. Many adaptation measures are needed at the provincial and local level, which demands strong sharing of the best science-based information.
3. **Early investments** in selected **adaptation** measures and in particular in climate proofing of all new (coastal, transport, agriculture) infrastructure will **prevent very major future costs**. It is critical to assess plans for city expansion, new industrial zones, environmental services (especially waste and wastewater treatment), and assess locations for future ports, roads, railroads, water supply systems and other infrastructure.
4. **Water** issues are central (household and industrial water supply, irrigation for rice, hydropower, fisheries and livestock, transport). Cross-departmental responses are needed, as water has multiple users and stakeholders.
5. Improvements in **weather forecasting** and related planning are needed.
6. **Adaptation in agriculture** is a priority whatever the exact extent of climate change impacts, through development of climate-resilient crops, expansion of weather insurance mechanisms, and Research & Development of agricultural practices (e.g. to reduce rice water needs).
7. Strengthened natural **disaster risk management** is also a “no regret” priority (typhoons, floods, droughts).

Greenhouse gas emissions mitigation

8. **Viet Nam's** trend in **carbon intensity** per unit GDP is more or less flat, while other developing countries have set ambitious goals. **China** aims to reduce carbon intensity by 40-45% per unit of GDP in its 12th five year plan, with ambitious renewable energy and energy efficiency targets, feed-in tariffs, clean energy incentives, carbon tax, energy standards, and ambitiously expanded forest. **India** aims to reduce GDP emissions intensity by 20-25% by 2020 (2005 baseline), with wind and solar energy, biomass and mini-hydro, feed-in tariffs, subsidies, fuel efficiency standards, and incentives for increasing forest cover. **Indonesia** plans to reduce emissions with 26 to 41% (without and with foreign assistance, against business as usual), through for example renewable energy and protection of peat lands and forests.
9. **Viet Nam** should embrace a **low carbon – green growth** paradigm. It should aim for reduction of carbon intensity as it needs energy security and energy availability. A ‘road map’ or **low carbon development strategy** is needed, with clear priorities, and a monitoring and reporting system to

track progress. Greenhouse gas emissions mitigation offers economic, environmental and social **opportunities**. Viet Nam needs reduced dependence on coal and improved energy efficiency, and must strengthen forestry.

10. The energy sector accounted for over a third of total emissions in 2000 and especially the power sector will increase its emissions fast. Viet Nam should **reassess domestic energy policy** which stresses the use of Viet Nam's **coal** resources and future imports of coal, especially for thermal power plants, as a primary source of energy with ever increasing greenhouse gas emissions.
11. **NAMAs** (nationally appropriate mitigation actions) could become critical national programs that receive international finance and technology, for example on **energy efficiency, renewable energy, and waste management**.
12. Viet Nam is already a leader in preparing for **REDD** (reduced emissions from deforestation and forest degradation), which could bring income to poor forest dwellers and help poverty reduction, help protect water sources, and prevent soil degradation. The national REDD program can demonstrate how sustainable forest management practices can help growth in the forest product industry, and economic development. If successful on a large scale, the innovative financial incentives provided to forest managers (farmers) and communities may serve as a model for other countries to replicate.

Financing climate change responses

13. Viet Nam needs an **investment strategy** for both **adaptation and mitigation** that promotes innovative mechanisms, including reforms in the financial sector to compete for and secure large scale investments. Intelligent blending of financial resources (public, private, domestic and international finance) is critical.
14. **Adaptation** will be strongly dominated by **public sector investments**. Public investment decisions must be **prioritized** over time, geographically and sectorally, with improved planning and strategic international support.
15. **Mitigation** is dominated by **business sector investments**. Fiscal policies must be adjusted (especially energy subsidies and taxes) and smart regulation is needed in order to drive climate change responses as well as national economic growth and job creation.
16. There are significant opportunities to attract **international finance**, i.e., (i) foreign direct investment; (ii) the carbon markets; and (iii) bilateral and multilateral development mechanisms, including the newly agreed Green Climate Fund, the Global Environment Facility, the Adaptation Fund (AF), and the Climate Investment Funds (CIFs).
17. **Climate ODA** must be used strategically, for technical assistance, capacity building, research and development, pilot investments, (fiscal) policy reform, and for awareness raising.
18. However, climate change **finance** will have to be generated mostly **domestically**. Viet Nam needs to start looking at the State budget, fiscal policies, domestic private capital and "green" foreign direct investment for a comprehensive response to climate change.
19. **Provinces and cities** need an emissions reduction target; develop emission inventories of e.g. businesses; identify local emissions reduction actions; and access financing beyond centrally allocated budgets (e.g. user fees, local surcharges, and municipal bonds) for strategic investments in both adaptation and mitigation.
20. **Public-private partnerships (PPPs)** can reduce risks and provide high (business, government) returns. Innovative financial vehicles are needed to enhance availability of domestic capital, developed and implemented in partnerships between different players (Multilateral Development Banks, commercial banks, institutional investors, bilateral donor agencies). NAMA registries will be useful to stimulate links between private investments and international finance.

21. Sectoral approaches to setting emission caps are also promising, and ‘bundling’ of small **Clean Development Mechanism (CDM)** projects dealing with same technology, to apply for carbon credits. CDM revenues should remain in the business sector – the CDM must catalyse business investments.

Business sector responses to climate change

22. **Energy security** and energy prices will be dominant factors affecting the global economy: for example, by 2030 world energy demand will be 40% higher than in 2007, while 67% of global oil reserves will be in four countries. In anticipation of this, big oil companies are already preparing for alternative energy investments and many countries are targeting renewables for much or most of their electricity by 2050. And despite the economic crisis, in 2008 and 2009 investments in renewables grew, globally. This represents major **low carbon business opportunities**, also for Viet Nam as one of the world’s largest solar cell manufacturing plants will be built in Viet Nam. Such investments give significant added value and will enhance Viet Nam’s competitiveness and long-term macro-economic stability.
23. **Public policies** must address barriers to investment, such as risk, rates of return, and size of the new markets and new customers.
24. **Opportunities** for greenhouse gas emissions mitigation **for businesses** can be achieved through (publicly supported and private) Research & Development; financial incentives; voluntary agreements (VAs); informational instruments; ambitious targets and feed-in tariffs for renewable energy; enhanced energy efficiency standards for equipment; expanded training of engineers and technicians (higher education and vocational training); and better urban planning for climate resilient and low carbon cities and towns.
25. A **low carbon industry** requires measurement of emissions/energy at the facility level; energy reduction targets and energy audits for major facilities; and procedures for reporting of facility level energy use and emissions.

Institutional capacities for responding to climate change

26. Very high **public awareness** is needed to ensure support for policies (communication of threats and opportunities through education and media), and for behaviour change amongst consumers. High awareness is also needed amongst (small as well as large) entrepreneurs, especially on how business and government can work together (e.g. on PPPs, on auditing, and on reporting standards).
27. There is a need for broader and deeper participation by **all ministries** as climate change is not just an environmental issue, but an economic, energy, transport, industry, construction, agriculture, forestry, waste management, health and education issue. This requires capacity building in many institutions and bringing about **cross-departmental thinking and action**.
28. **International** commitments to **emissions cuts** are not yet sufficient. But **financial commitments** were made by industrialised countries (\$30billion 2010-2012; \$100billion per year from 2020), as well as commitments to **technology transfer**. And national emissions mitigation plans by developed and developing countries were submitted to the UN Framework Convention on Climate Change (UNFCCC), representing more than 80% of global emissions. **Viet Nam** should join this group and adopt a **voluntary target to reduce emissions** growth below business as usual, based on the Second Communication and additional domestic data. This will help secure international support.
29. Viet Nam should increase its **engagement with the UNFCCC process**, and become more active. This is in Viet Nam’s interest, as is compliance with and capacity building for full use of the instruments agreed under the UNFCCC, such as REDD and NAMAs.