NEWSLETTER

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Carbon Trading Regulations In Vietnam: What's New In The First Half Of 2025

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I Introduction

The first half of 2025 has been a busy period for the issuance of new carbon trading regulations in Vietnam. On January 24, 2025, the Prime Minister issued Decision No. 232/QD-TTg Approving the Project on the Establishment and Development of a Carbon Market in Vietnam ("**Decision 232**"). Decision 232 builds on the foundational principles set out in Decree No. 06/2022/ND-CP on Mitigation of Greenhouse Gas ("**GHG**") Emissions and Protection of the Ozone Layer ("**Decree 06**") by setting out a more detailed implementation plan and timeline for establishment of a carbon market in Vietnam.

Decree No. 119/2025/ND-CP ("**Decree 119**"), which was issued on June 9, 2025, amends Decree 06 to clarify the responsibilities of emitting entities, establish a clearer path for carbon trading, and implement other legal changes. Decree 119 becomes effective on August 1, 2025.

This article reviews the current state of Vietnam's participation in carbon markets and some notable features of these new regulations.

II Vietnam's Current Participation in Carbon Markets

Vietnam currently does not have a domestic carbon market; however, Vietnamese entities and projects based in Vietnam have been actively engaged in international carbon market mechanisms on a voluntary basis for the past several years,[1] beginning with Vietnam's accession to the (now superseded) Kyoto Protocol in 2002.[2] The Kyoto Protocol established a number of market-based emissions reduction mechanisms, including the Clean Development Mechanism ("**CDM**"), in which Vietnam has been an active participant. CDM projects have allowed Vietnam to collaborate with countries bound by emissions-reduction commitments under the Kyoto Protocol to generate Certified Emission Reductions (CERs)[3]. Vietnam has been one of the most active markets for CDM projects, with more than 150 such projects registered and implemented in Vietnam, representing GHG

[1] Ta Dinh Thi - Deputy Chairman of the National Assembly's Committee on Science, Technology and Environment (2024), "Carbon market development: International experience and opportunities, challenges, and prospects for Vietnam", Portal of the National Assembly, link: https://quochoi.vn/hoatdongcuaquochoi/cackyhopquochoi/quochoikhoaXIII/Pages/danh-sach-ky-hop.aspx?ItemID=89625&CategoryId=0 (in Vietnamese only) (last access date: July 25, 2025).

[2] Section I of the Intended Nationally Determined Contribution of Viet Nam (2022).

[3] UNFCCC, "Emissions Trading", UNFCCC Website, link: https://unfccc.int/process/the-kyoto-protocol/mechanisms/emissions-trading (last access date: July 25, 2025).

emissions abatement of approximately 140 million tons of CO_2 equivalent.

In 2013, Vietnam acceded to the Joint Crediting Mechanism ("**JCM**"),[4] a project-based bilateral mechanism with Japan. The JCM is widely recognized as a forerunner of market-based mechanisms under Article 6.2 of the Paris Agreement.[5] JCM projects have enabled Vietnam and Japan to deploy low-carbon technologies and share emissions reduction benefits, with Japan using the carbon credits generated via the mechanism toward achievement of its Nationally Determined Contribution ("**NDC**") targets.

Vietnam also participates in the Program on Reducing Emissions from Deforestation and Forest Degradation ("**REDD+**") under the United Nations Framework Convention on Climate Change ("**UNFCCC**"), which incentivizes developing countries to reduce emissions from deforestation and forest degradation.[6] Vietnam was the first country in the Asia-Pacific region to be eligible for payments for verified CO_2 emission reductions under this program.[7]

Several voluntary projects in Vietnam also have been certified by international standards bodies, such as the Gold Standard and the Verified Carbon Standard.

As Vietnam is already a relatively active participant in international voluntary carbon market mechanisms, the establishment of a domestic carbon market (and development of the associated regulatory framework) is expected to have a strong intensifying effect on carbon reduction efforts by industry and other market participants in Vietnam. Development of the carbon market will need to occur in tandem with rollout of a supporting domestic regulatory framework to facilitate carbon trading and address a number of issues that have impacted the voluntary carbon market, including:

- Greenwashing risks: Vietnam has not enacted domestic guidelines or standards for measurement, reporting, and verification of abatement of GHG emissions. This has led to reliance on a range of international standards, creating challenges for businesses and authorities attempting to verify carbon credits. The absence of a centralized carbon credit registry and standardized verification mechanisms increases the risk of greenwashing and associated reputational and regulatory risks, as well as potential commercial disputes regarding the origin, authenticity, quality, and validity of carbon credits.

- JCM issues: The JCM has been established as a non-tradable credit mechanism,[8] meaning credits

[4] JCM (2013), "News: Japan and the Socialist Republic of Viet Nam signed the bilateral document to start JCM", JCM Website, link: https://www.jcm.go.jp/vn-jp/information/3 (last access date: July 25, 2025).

[5] Asian Development Bank (2023), "National strategies for carbon markets under the Paris Agreement making informed policy choices", Asian Development Bank Website, link: https://www.adb.org/sites/default/files/publication/928596/national-strategies-carbon-markets-paris-agreement.pdf (last access date: July 25, 2025).

[6] Le Thi Quynh Anh (2020), "Vietnam Signs Landmark Deal with World Bank to Cut Carbon Emissions and Reduce Deforestation", World Bank Group Website, link: https://www.worldbank.org/en/news/press-release/2020/10/22/vietnam-signs-landmark-deal-with-world-bank-to-cut-carbon-emissions-and-reduce-deforestation (last access date: July 25, 2025).

[7] Le Thi Quynh Anh and Mark Felsenthal (2024), "Viet Nam Receives $51.5m World Bank Payment for Reducing Emissions Through Forest Preservation", World Bank Group Website, link: https://www.worldbank.org/en/news/press-release/2024/03/21/viet-nam-receives-51-5m-world-bank-payment-for-reducing-emissions-through-forest-preservation (last access date: July 25, 2025).

[8] Item B.4 of the Guidance for the Implementation of the JCM applicable to JCM scheme between Viet Nam and Japan.

currently cannot be traded on any market. Under the mechanism, carbon credits generated by approved projects may be allocated to both countries by a joint committee and can be used to fulfil their respective NDCs. Any transition to allowing the trading of JCM credits will require mutual agreement between Vietnam and Japan. The establishment of a national carbon registry in Vietnam should make this transition simpler and more efficient.

Implementation of the legal framework to support the domestic carbon market, if done correctly, should address these types of issues, together with other matters, to ensure the integrity of carbon credits and their tradability, and also provide clarity on accounting and taxation treatment.

III Selected Key Features of Decision 232 and Decree 119

Decision 232 establishes an implementation plan and timeline for a domestic carbon market, while Decree 119 amends the current legal framework to accelerate and detail preparations for Vietnam's carbon market. These regulations contemplate an initial pilot phase beginning in 2025 and full implementation of a carbon trading market in 2029.[9]

1. Three-phase plan

The regulations set out a three-phase plan for the establishment of a domestic carbon market, with each phase having specific objectives, as summarized below:[10]

[9] Article 17 of Decree 06 (as amended by Decree 119).

[10] Sections II.2 and III.6 of Decision 232; Article 1.14 of Decree 119.

By June 2025

- Development of a carbon exchange infrastructure
- Finalization of the national legal framework
- Establishment of an offset mechanism for carbon credits

By the end of 2028

- Establishment of a national registry system for central tracking of all issuances, transfers, uses, and cancellations of GHG emission allowances and carbon credits (please see below for more details)
- Pilot launch of the domestic carbon exchange nationwide
- Refinement of the national legal framework
- Consideration of free allocation of emissions allowances

From 2029 onward

- Official launch of the domestic carbon exchange, with potential for:
    - Expansion of the scope of emissions allowances and eligible carbon credits
    - Broadening of market access to permit additional participants

2. Carbon exchange market, national registry, and key authorities

Decree 119 introduces an official National Registry System — an integrated digital platform managed by the Ministry of Agriculture and Environment ("**MAE**") — for registering accounts, managing allocations, and tracking all carbon market transactions.[11]

The Hanoi Stock Exchange ("**HNX**") will be responsible for organizing and managing carbon trading activities, as well as ensuring compliance and market efficiency, while the Vietnam Securities Depository and Clearing Corporation ("**VSD**") will handle depository, clearing, and transaction settlement, working closely with authorities to maintain standardized operations and regulatory oversight.[12]

The Ministry of Finance, in coordination with relevant authorities, will review and propose amendments to tax, fee, and pricing regulations related to the carbon market and the transfer of emission allowances and carbon credits, while also assessing the management and use of revenue from quota auctions.

3. Commodities and participants

The carbon exchange market will facilitate the trading of two principal commodities: GHG emissions allowances

[11] Article 1.15 of Decree 119.

[12] Section III.4(b) of Decision 232.

and carbon credits.

The persons and entities eligible to participate in this market include:[13]

- Facilities allocated GHG emissions allowances: These entities will be designated on one or more official lists, to be issued by the Prime Minister from time to time.[14] The entities will include businesses operating in high-emissions sectors, such as energy, transportation, construction, industrial manufacturing, agriculture, and waste management.[15] For the initial period from 2025-2026, thermal power plants, steel manufacturing facilities, and cement production facilities appearing on the official list will be allocated GHG emissions allowances.[16] Facilities in other sectors will be allocated GHG emissions allowances at a later stage.[17]

- Carbon reduction project developers: Project developers implementing initiatives under: (a) domestic offset mechanisms, and (b) international mechanisms, such as CDM and JCM, which are in line with Articles 6.2 and 6.4 of the Paris Agreement, are allowed to participate in the carbon market.[18] The relevant projects must be registered with the competent authority.[19] Developers of CDM projects wishing to transition to the mechanism under Article 6.4 of the Paris Agreement must submit their applications for transition by September 30, 2025.[20]

- Transaction support entities: Transaction support entities are organizations that provide financial services and facilitate the exchange of GHG emissions allowances and carbon credits on the domestic carbon market, in accordance with the legal regulations governing the carbon credit exchange.[21]

4. Transactions relating to GHG emissions allowances and carbon credits

Decree 119 provides more detailed regulations on the handling of GHG emissions allowances and carbon credits:[22]

- Transfers of allowances: Covered entities may transfer unused allowances to other participants via the national carbon exchange, subject to validation through the national registry and compliance with

[13] Section III.2 of Decision 232.

[14] Article 1.13 of Decree 119.

[15] Decision No. 13/2024/QD-TTg Promulgating the List of Sectors and GHG-Emitting Facilities Required to Conduct GHG Inventories of the Government dated August 13, 2024.

[16] Article 1.8 of Decree 119.

[17] Article 1.8 of Decree 119.

[18] Articles 1.17 and 1.18 of Decree 119.

[19] Articles 1.17 and 1.18 of Decree 119.

[20] Article 1.18 of Decree 119.

[21] Article 1.13 of Decree 119.

[22] Article 1.16 of Decree 119.

applicable regulations.

- Borrowing of allowances: Entities may borrow allowances from subsequent compliance periods to address shortfalls in the current period. The borrowing is capped at 15% of the total GHG allowances allocated for the compliance phase.

- Surrender of allowances: At the end of each compliance period, entities must surrender a minimum quantity of allowances, equivalent to their actual GHG emissions during the relevant period, minus the volume of carbon credits used for offsetting. Failure to do so may result in penalties under future regulations.

- Offsetting with carbon credits: Entities may use eligible carbon credits—originating from domestic or international mechanisms—to offset a portion of their emissions, capped at 30% of their allocated allowances.

5. Key upcoming policy developments:

The following major policy developments, anticipated in the second half of 2025, will shape Vietnam's carbon market:

- Issuance of an allocation plan for GHG emissions allowances by Ministry of Natural Resources and Environment.

- Determination of total GHG emissions allowances through 2030 by the Prime Minister, later in 2025.

- Issuance of a decree on domestic carbon exchanges.

A draft decree on domestic carbon exchanges has been circulated for public comment. A few notable features of the draft include:

- MAE approval requirement: All carbon credits, whether originating from domestic programs or international mechanisms, must be approved and recorded by MAE to be eligible for trading.[23]

- Transaction facilitating organizations: Securities firms may register as trading members (for trading) or depository members (for depository/payment services), creating new business opportunities.

- Trading mechanism: Commodities must be deposited electronically with the VSD via a depository member before trading. Transactions are carried out through order matching, and cleared with simultaneous payment.

- Service fees: The Ministry of Finance has proposed charging only service fees (not transfer fees), following the securities market model, to encourage participation and enhance liquidity.

[23] Article 6 of the Draft Decree on Domestic Exchange.

- Information disclosures: Similar to the securities market, the carbon exchange will adopt a disclosure mechanism to ensure transparency. Further guidance regarding the information disclosure requirements will be provided by MAE.

IV Conclusion

The development of a domestic carbon market, as outlined in Decision 232 and now operationalized by Decree 119, will be a transformative step in Vietnam's green transformation, energy transition, and other decarbonization efforts. This new market is expected to usher in:

- A transition from voluntary to mandatory compliance requirements for major emitters, fundamentally changing how companies plan and report their GHG emissions;

- Establishment of a more robust domestic regulatory framework, with enhanced transparency, standardization, and legal certainty for carbon transactions;

- Enhanced transparency in and standardization of measurement and reporting, as well as issuance, transfer, and retirement of carbon credits, which will improve the integrity of the issuance, transfer, and retirement of carbon credits.

Much work remains to be done to establish Vietnam's domestic carbon market. The phased system set out in Decision 232 and Decree 119 reflects a realistic and measured approach. With most key legislative components already in place, the upcoming decree on operation of the domestic carbon exchange, together with determination of emissions allowances and certain related proposed amendments to the Law on Environment, are expected to be the final critical pieces of the essential legal framework. The issuance of these regulations reflects Vietnam's strong commitment to launching a functional carbon market on its stated timeline.

A domestic carbon market will provide support for the country's climate commitments, and also open new avenues for sustainable investment and green growth. Together with other initiatives, like introduction of the Direct Power Purchase Agreement regime for renewable energy, this new market demonstrates Vietnam's commitment to decarbonization and the greening of its industrial sector.

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