

VIETNAM: New Legal Framework for Carbon Exchange: What Decree 29/2026/ND-CP Means for the Market

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I Introduction

On 19 January 2026, the Government of Vietnam issued Decree No. 29/2026/ND-CP on the domestic carbon exchange (“**Decree 29**”), which took effect immediately.¹ Decree 29 establishes a dedicated operational framework for activities on the domestic carbon exchange, and governs registration, domestic coding, ownership transfer, depository, trading and settlement of greenhouse gas (“**GHG**”) emissions allowances and carbon credits eligible for trading.²

This newsletter discusses Decree 29’s most important market-facing legal innovations and identifies practical implications for entities subject to GHG emissions allowances, project developers/holders of tradable carbon credits, and (iii) intermediaries who provide support for custody, trading, and settlement.³

II Key Legal Innovations and Market Implications

1. Products Tradable on Domestic Carbon Trading Exchange

Decree 29 formalizes a centralized, regulated domestic marketplace for trading GHG emissions allowances and domestically recognized carbon credits eligible for trading through Vietnam’s GHG mitigation framework.⁴ For ease of reference, “GHG emissions allowances” refers to the amount of greenhouse gases that an organization or individual is permitted to emit within a specified period, measured in tonnes of carbon dioxide (CO₂) or tonnes of carbon dioxide equivalent (tCO₂e).⁵ Carbon credits refer to tradable certificates representing the right to emit one tonne of CO₂ or one tonne of CO₂e.⁶

The key conditions for tradable allowances or credits are as follows:

¹ Decree 29, Article 35.1.

² Decree 29, Article 1.

³ Decree 29, Articles 2.4, 2.5, 6, and 7.

⁴ Decree 29, Articles 1 and 6.1.

⁵ Law on Environmental Protection (as amended), Article 3.33.

⁶ Law on Environmental Protection (as amended), Article 3.35.

- Only allowances/credits appearing on the eligibility list announced and updated by the Ministry of Agriculture and Environment (“**MAE**”) may be traded, and MAE also must give notice of key trading parameters, such as the first and last trading dates for each instrument/code.⁷ Carbon credits issued under international mechanisms (e.g., CDM, JCM) may be tradable if they are included on MAE’s eligibility list.⁸
- As a market-structure rule, emissions allowance exchanges generally must be carried out via the carbon trading system (with limited exceptions for off-system ownership transfers to be guided and implemented by the MAE).⁹

2. Introduction of a Full Trading Lifecycle

Decree 29 regulates the lifecycle of carbon instruments by linking the national registry, the depository/settlement system, and the trading system into a single regulatory workflow:¹⁰



- **Registration & Coding:** In a manner not unlike the stock market registration and depository systems, GHG emissions allowances and carbon credits must be centrally registered on the national registry managed by MAE before they can be deposited and traded on the domestic carbon exchange. The MAE will issue a domestic code for each GHG emissions allowance and carbon credit and circulate the code list to the Hanoi Stock Exchange (“**HNX**”) and the Vietnam Securities Depository and Clearing Corporation (“**VSDC**”). The domestic code is used consistently throughout subsequent operational steps under Decree 29.¹¹
- **Depository:** GHG emissions allowances and carbon credits must be deposited with the VSDC prior to trading. The depository function covers deposits and withdrawals, as well as book-entry transfers tied to settlement of on-exchange trades.¹²
- **Trading Execution:** Once a trade is executed through the trading system, which is embedded on the HNX system, the trade results will be sent to the VSDC for settlement, creating a direct “trade-to-settlement”

⁷ Decree 29, Article 6.2.

⁸ Decision 232/QĐ-TTĐ of the Prime Minister Regarding the Plan for Establishment and Development of Vietnam Carbon Credits, Item III.1.

⁹ Decree 29, Articles 4.4 and 12.2.

¹⁰ Decree 29, Articles 1, 3.2 and 3.4.

¹¹ Decree 29, Article 11.4.

¹² Decree 29, Articles 3.5, 13.1(a), 13.1(b), 13.2(a)).

handoff.¹³

- **Settlement:** Settlement is performed on a same-day, instant-per-trade basis, via the VSDC's depository and settlement system, with payments processed through settlement bank accounts and with no central counterparty clearing mechanism.¹⁴
- **Ownership Transfer:** The VSDC will record the ownership transfer for the participant, and at the end of each trading day it will transmit settlement results and end-of-day balances to the MAE to update the national registry.¹⁵

Decree 29's end-to-end regulation of the trading lifecycle has clear advantages: it creates a single centralized process, modeled closely on the securities market infrastructure allowances. The clear, strict registration, custody, and trading processes should enhance the transparency and traceability of carbon credits, and minimize the risk of double-counting or fraudulent transfers. Integration with established entities like the HNX and VSDC further ensures operational reliability. It is yet to be seen whether the closed nature of the system will restrict market liquidity and flexibility in practice, particularly during the pilot phase.

3. Pilot Phase with Preferential Conditions and Limited Infrastructure

During the pilot phase, which runs until 31 December 2028, the State Securities Commission will select a settlement bank for cash settlements of on-exchange carbon trades, and service fees will be waived for the State Securities Commission, HNX, and VSDC services on the domestic carbon exchange.¹⁶ As of the effective date of Decree 29, the identity of the designated settlement bank had not been publicly announced.

This approach may support gradual market development and enable regulators and market institutions to identify and address operational issues before full-scale deployment during the pilot phase. In the future, however, the limited choice for settlement may constrain transaction volume, and may not be adequate for a fully liquid market.

4. Prohibited acts relating to the carbon trading exchange

Decree 29 expressly addresses market conduct and enforcement in relation to activities on the domestic carbon trading exchange.¹⁷ Participants who engage in prohibited acts (for example, collusion, inducing others to trade, using improper trading methods, spreading false or misleading information to manipulate the prices of GHG emissions allowances or carbon credits, or exploiting technical incidents or information technology system vulnerabilities to misappropriate GHG emissions allowances or carbon credits) may be subject to administrative sanctions or criminal liability, depending on the nature and severity of the violation.¹⁸ Offenders also may be required to pay compensation for losses incurred by relevant parties, in accordance with applicable law.¹⁹

¹³ Decree 29, Articles 3.3 and 14.5.

¹⁴ Decree 29, Articles 15.1 and 15.4.


¹⁵ Decree 29, Articles 12.1 and 8.2(e)).

¹⁶ Decree 29, Articles 28.1 and 34.2.

¹⁷ Decree 29, Article 4.5.

¹⁸ Decree 29, Article 4.5.

¹⁹ Decree 29, Article 4.5.



These provisions underscore regulators' clear intent to prevent market manipulation and abusive practices from the outset of Vietnam's carbon market development, which may enhance confidence among institutional participants and international stakeholders.

III Conclusion

Decree 29 establishes the legal foundation for Vietnam's domestic carbon trading market and signals a decisive move toward market-based climate regulation. Although the law adopts a cautious and conservative approach, it is a welcome start to the carbon market in Vietnam, and provides a necessary platform for gradual development and operational learning during the pilot phase. As the market matures and experiences the first wave of transactions, we anticipate that regulators will provide additional guidance and adjustments to facilitate broader participation, capacity, and innovation.

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