



## LEGAL UPDATE

### VIETNAM: DRAFT DECREE ON THE OPERATION OF A DOMESTIC CARBON EXCHANGE

In line with the provisions of the Law on Environmental Protection and Decision No. 232/QĐ-TTg dated 24 January 2025 of the Prime Minister approving the scheme for the establishment and development of a carbon market in Vietnam (“**Decision 232**”), the Ministry of Finance is currently drafting a decree on the operation of a domestic carbon exchange (“**Draft Decree**”). The Draft Decree is expected to impact enterprises listed in the national greenhouse gas inventory, entities holding carbon credits from offset and exchange mechanisms, as well as businesses engaged in carbon credit trading.

This update will highlight some significant points of the Draft Decree as follows:

#### 1. Key Definitions

The Draft Decree introduces several key definitions to clarify core concepts in carbon trading:

- i. **National Registry System for Greenhouse Gas Emission Quotas and Carbon Credits:** Administered by the Ministry of Agriculture and Environment, this system manages, updates, and processes information relating to greenhouse gas emission quotas, carbon credits, and associated transactions such as borrowing, repayment, transfer, and offsetting;
- ii. **Carbon Trading System:** Operated by the Hanoi Stock Exchange, this system encompasses the technical and technological infrastructure for trading greenhouse gas emission quotas and carbon credits;
- iii. **Carbon Transaction Settlement System:** Operated jointly by the Vietnam Securities Depository and Clearing Corporation (VSDC) and a designated settlement bank, this system facilitates the payment and settlement of carbon credit and quota transactions;
- iv. **Trading Members:** Securities firms approved by the Hanoi Stock Exchange to act as trading members in the carbon market; and

- v. **Depository Members:** Securities firms approved by the VSDC to act as depository members for greenhouse gas quotas and carbon credits.

#### 2. Marketable Instruments and Participants

According to Article 139(1) of the Law on Environmental Protection, Decree No. 06/2022/ND-CP, and Decision 232, the Draft Decree provides two categories of instruments that will be traded on the carbon market.

- i. **Greenhouse Gas Emission Quotas:** Allocated to facilities listed under the sectors and facilities subject to mandatory greenhouse gas inventories as designated by the Prime Minister; and
- ii. **Carbon Credits:** Including both domestic and international credits, traded by the following entities:
  - Facilities included in the mandatory greenhouse gas inventory list;
  - Organizations implementing domestic or international offsetting/exchange mechanisms; and
  - Entities and individuals qualified to invest in and trade carbon credits.

All tradable instruments must be verified and recorded in the national registry system by the Ministry of Agriculture and Environment before being eligible for trading on the Hanoi Stock Exchange.

Regarding the transfer of carbon credits to foreign or international partners, Vietnam’s carbon market plan outlines two implementation phases:

- i. Pilot Phase (2025–2028); and
- ii. Official Operational Phase (from 2029 onwards).

#### 3. Market Operation and Administration

The carbon market will operate through two key institutions: the Hanoi Stock Exchange, which manages trading activities, and the Vietnam Securities Depository and Clearing Corporation, which oversees depository and settlement services.



- i. **Vietnam Securities Depository and Clearing Corporation (VSDC):** Responsible for providing depository and settlement services, issuing operational regulations, approving depository members, overseeing market activities, and handling violations.
- ii. **Hanoi Stock Exchange:** Responsible for operating the trading platform, issuing trading regulations, approving trading members, supervising market activities, and addressing violations.

Greenhouse gas emission quotas and carbon credits will be deposited with the VSDC based on data from the National Registry System. Participants in the market will open depository accounts with approved depository members.

Under the Draft Decree, transactions on the carbon exchange shall be conducted through the negotiated trading method on the carbon trading system, whereby the parties independently negotiate and determine the terms and conditions of the transaction. All trades executed on the carbon trading system shall be settled via the carbon transaction settlement system using a real-time gross settlement method, meaning that each transaction is settled individually and immediately upon execution. The central counterparty clearing mechanism shall not be applied.

Depository members are required to open a deposit account in their own name at the designated settlement bank in order to facilitate the settlement of greenhouse gas emission quota and carbon credit transactions.

#### 4. Conclusion

The Draft Decree establishes an initial legal framework for the operation of the domestic carbon credit exchange. The public consultation phase has concluded, and the Draft Decree is expected to be promulgated and take effect on 1 June 2025. Following its issuance, the Hanoi Stock Exchange and VSDC will release detailed operational guidelines upon receiving written approval from the Ministry of Finance and the Ministry of Agriculture and Environment. Businesses subject to emissions regulations should begin reviewing their internal compliance and trading capabilities in preparation.

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