



LEGAL UPDATE

VIETNAM'S DOMESTIC CARBON EXCHANGE

1. Introduction

On 19 January 2026, the Government of Vietnam issued Decree No. 29/2026/ND-CP ("**Decree 29**"), establishing the legal framework for the organisation and operation of a centralised domestic carbon exchange. The Decree sets out core requirements for the registration, custody, trading and settlement of greenhouse gas ("**GHG**") emission quotas and carbon credits, introducing new compliance considerations for regulated facilities, carbon credit project developers, and participating financial institutions. Decree 29 took effect immediately and provides for a pilot phase until 31 December 2028, with full commercial operation of the carbon exchange expected from 1 January 2029.¹

2. Categories of Businesses Potentially Impacted by the Domestic Carbon Exchange

Decree 29 is expected to affect several categories of market participants from both compliance and operational perspectives.

- i. Emission-regulated facility operators:** Enterprises subject to the national GHG inventory regime may be required to monitor emissions, manage allocated quotas, and consider participation in carbon trading as part of their regulatory compliance strategy. This primarily includes large-scale facilities in energy, industrial production, transport, construction, agriculture and waste management sectors. Thermal power, iron and steel, and cement production facilities are among those prioritised for pilot quota allocation in the 2025-2026 period.²
- ii. Carbon credit project developers:** Businesses implementing emissions-reduction initiatives, including renewable energy, waste treatment, and

forestry projects,³ may become eligible to generate tradable carbon credits, subject to verification and registration requirements under the national carbon-market framework.

- iii. Financial institutions and market intermediaries:** Securities companies and commercial banks may participate as trading members, depository members, or settlement banks, subject to licensing and operational-readiness conditions. Participation may entail new supervisory obligations and infrastructure-investment considerations.⁴
- iv. Enterprises with carbon cost exposure:** Businesses exposed to future carbon pricing mechanisms may monitor the pilot phase to assess impacts on compliance, cost, and sustainability strategies.

3. Participation Requirements and Trading Mechanics

Decree 29 establishes a framework for the registration, custody, trading, and settlement of emission quotas and carbon credits. Only assets recognised under the national carbon market framework are eligible for trading, including verified emissions-reduction outcomes generated from 1 January 2021 under approved mechanisms.⁵ The Ministry of Agriculture and Environment ("**MAE**") will determine and periodically update the list of tradable assets and the applicable trading period.⁶

Before trading, emission quotas and carbon credits must be centrally recorded on the National Registry System and assigned a domestic identification code by the MAE.⁷ Each organisation may maintain only one registry account to manage carbon asset balances and compliance obligations across multiple facilities.⁸ Trading requires pre-deposit of carbon assets with the authorised depository operated by

¹ Articles 34.2 and 35.1 of Decree 29

² Articles 5.2, 6.1 and 12.1(a) of Decree No. 06/2022/ND-CP (as amended by Decree No. 119/2025/ND-CP)

³ Articles 5.2 and 8 of Decree No. 06/2022/ND-CP (as amended by Decree No. 119/2025/ND-CP)

⁴ Articles 3.8, 3.9, 18, 22 and 26 of Decree 29

⁵ Article 19.1(b) of Decree No. 06/2022/ND-CP (as amended by Decree No. 119/2025/ND-CP)

⁶ Article 6.2 of Decree 29

⁷ Articles 11.1 and 11.4 of Decree 29

⁸ Article 6.1 of Circular No. 11/2026/TT-BNNMT



the Vietnam Securities Depository and Clearing Corporation (“VSDC”), following ownership verification by the MAE.⁹

Carbon trading operates within a single-account structure. Each participant may use only one securities depository account for custody and settlement,¹⁰ and one trading account for exchange transactions.¹¹ Trading activities must be operationally segregated from other securities business, including carbon asset tracking and accounting and distinct system interfaces.¹² Orders are executed on a fully funded basis, requiring sufficient cash for purchases and sufficient quotas or credits for sales.¹³ Exchange trading is the primary mechanism for transferring emission quotas, while off-system ownership transfers are permitted only in limited cases guided by the MAE and, where assets are already deposited at VSDC, only after withdrawal from the custody and settlement system.¹⁴

Carbon trades are settled on a same-day, transaction-by-transaction basis (T+0) without a central counterparty clearing model.¹⁵ Delivery-versus-payment (DvP) applies, with cash settled through the designated bank based on obligations determined by the VSDC.¹⁶ Daily trading information is published at the end of each trading day by the Hanoi Stock Exchange (“HNX”).¹⁷ During the pilot phase through 31 December 2028, only a single settlement bank will operate,¹⁸ and exchange services provided by the Vietnam Exchange (“VNX”), VSDC and the HNX are free of charge.¹⁹

4. Compliance Implications and Regulatory Exposure

Participation in the domestic carbon exchange entails not only layered compliance obligations covering registry governance, trading, and custody operations, reporting and disclosure duties, but also intermediary supervision. Carbon

trading members and depository members must report periodically and on an ad hoc basis to the market operator and the central depository.²⁰ Meanwhile, market operators must also file quarterly and annual reports to the competent authorities before the 20th day of the first month of the following quarter and before 30 January of the following year, respectively.²¹

Settlement disruptions must be notified by the settlement bank within 24 hours,²² and key operational events shall be disclosed publicly within 72 hours by the market operators.²³ The national registry system records all carbon asset information.²⁴ The registry accounts may only be closed after all obligations and transaction are cleared.²⁵ Erroneous trades may be cancelled, with losses borne by the party at fault and related disputes resolved through negotiation, arbitration, or Vietnamese courts.²⁶

5. Conclusion

Decree 29 lays the operational foundation for Vietnam’s domestic carbon market, with the pilot phase through 2028 providing time for businesses to adapt to new compliance and trading requirements. As detailed implementing rules are expected, enterprises should proactively review governance arrangements and monitor developments that may affect future carbon cost exposure and sustainability strategy.

For more information, please contact:

Nguyet Le / Special Counsel
nguyet.le@acsvlegal.com

Kim Nguyen / Associate
kim.nguyen@acsvlegal.com

⁹ Articles 13.2(a), 13.2(b), 13.2(c), 13.2(d) and 13.2 (dd) of Decree 29

¹⁰ Article 13.4(a) of Decree 29

¹¹ Article 14.1 of Decree 29

¹² Article 14.1 of Decree 29

¹³ Article 14.2 of Decree 29

¹⁴ Articles 4.4 and 12.2 of Decree 29

¹⁵ Article 15.1 of Decree 29

¹⁶ Articles 15.3 and 15.4 of Decree 29

¹⁷ Article 32.3(a) of Decree 29

¹⁸ Article 28.1 of Decree 29

¹⁹ Article 34.2 of Decree 29

²⁰ Article 31.1 of Decree 29

²¹ Articles 31.2, 31.3 and 31.5 of Decree 29

²² Article 31.4(a) of Decree 29

²³ Articles 32.1 and 32.2 of Decree 29

²⁴ Article 4.3 of Circular No. 11/2026/TT-BNNMT

²⁵ Article 8.3 of Circular No. 11/2026/TT-BNNMT

²⁶ Articles 17.3 of Decree 29