

## CARBON CREDIT TRADING EXCHANGE (CTX) IN VIETNAM UNDER THE NEW DRAFT DECREE

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On March 25, 2025, the Ministry of Finance (“**MOF**”) proposed a draft legal framework to regulate the operation of the Carbon Credit Trading Exchange in Vietnam, with a pilot implementation roadmap from 2025 to 2028 and official operation starting in 2029. This aims to help Vietnam achieve its Net-zero carbon target by 2050.

This draft is based on Decision No. 232/QĐ-TTg and the Environmental Protection Law 2020, playing a crucial role in guiding and directing carbon trading activities in Vietnam in the future. This article will clarify the prominent regulations in the Draft Decree (“**Draft**”) on the Carbon Credit Trading Exchange (“**CTX**”) and key points to note.

### 1. Scope of Regulation

The Draft provides guidance on trading, custody, and payment activities for greenhouse gas emission quotas and carbon credits on the CTX.

### 2. Investment in Systems in Carbon Trading Activities

#### (i) National Registration System

Managed by the Ministry of Agriculture and Environment, overseeing the operation, updates, and exploitation of information on carbon emission quotas, carbon credits, and handling activities such as borrowing, repayment, transfer, and offsetting of greenhouse gas emission quotas

#### (ii) Carbon Trading System

Operated by the Hanoi Stock Exchange (“**HNX**”) to organize the trading of greenhouse gas emission quotas and carbon credits. To participate in trading on the CTX, participants must be approved as trading members by HNX.

#### (iii) Carbon Transaction Payment System

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*Accordingly, before taking any actions based upon such information, I encourage you to consult with the appropriate professionals. The use or reliance of any information contained in this article is solely at your own risk.*

Operated by the Vietnam Securities Depository and Clearing Corporation (“**VSDC**”) and payment banks to organize payments for transactions involving greenhouse gas emission quotas and carbon credits. To perform custody in the Carbon Transaction Payment System, participants must be approved as custody members by VSDC

**3. Commodities Traded on the Carbon Market**

Vietnam signed the Kyoto Protocol on reducing greenhouse gas emissions to combat climate change in 1998, ratified it in 2002, and thereby accepted its obligations. According to Article 17<sup>i</sup> of the Kyoto Protocol, countries that have emission units to spare - emissions permitted them but not "used" - can sell this excess capacity to countries that are over their targets. Thus, a new commodity was created in the form of emission reductions or removals.

Additionally, the Environmental Protection Law of 2020 stipulates that the domestic carbon market includes activities of exchanging greenhouse gas emission quotas and carbon credits, in accordance with the provisions of law and international treaties to which the Socialist Republic of Vietnam is a member<sup>ii</sup>.

Therefore, in the new draft issued by the MOF, it is stipulated that greenhouse gas emission quotas and carbon credits are two commodities traded on the carbon market, specifically as follows:

**(i) Greenhouse gas emission quotas**

**(ii) Carbon credits**

- Carbon credits recognized and obtained from programs or projects under the mechanism for exchanging and offsetting carbon credits as per Vietnamese law.
- International carbon credits: (1) Clean Development Mechanism (CDM); (2) Joint Credit Mechanism (JCM); (3) Mechanism under Article 6 of the Paris Agreement.

These commodities must be certified and recorded by the Ministry of Agriculture and Environment in the National Registration System before being recorded into the Carbon Trading System by HNX.

#### **4. Participants in Trading**

Conditions for participants to engage in trading are categorized according to each type of commodity:

##### ***(i) Greenhouse gas emission quotas***

Facilities listed in the sectors and greenhouse gas emissions inventory, complying with the inventory requirements issued by the Prime Minister and allocated greenhouse gas emission quotas.

##### ***(ii) Carbon credits***

- Facilities listed in the sectors and greenhouse gas emissions inventory, complying with the inventory requirements issued by the Prime Minister and allocated greenhouse gas emission quotas.
- Organizations implementing programs or projects under the mechanism for exchanging and offsetting carbon credits domestically or internationally, in accordance with Vietnamese law and international treaties signed by Vietnam.
- Organizations and individuals meeting the conditions to participate in investment and business activities involving carbon credits under environmental law.

#### **5. Trading Methods**

The Draft stipulates that trading on the carbon market follows the principle of mutual agreement between parties, and transactions are established when parties input orders and confirm transactions in the System. However, agreements between parties do not necessarily have to be conducted entirely through the System and can be carried out via one of the following methods:

##### ***(i) Electronic Agreement***

Parties input buy and sell orders into the Trading System and execute transactions based on matching orders.

***(ii) Conventional Agreement***

Buyers and sellers negotiate directly, then report the results to the Trading System to establish the transaction.

**6. Trading Process**

Trading activities on the Carbon Trading System do not apply the Central Counterparty Clearing mechanism but instead follow the Spot Payment method for each transaction. Accordingly, buyers and sellers make payments immediately upon transaction completion.

HNX is responsible for providing transaction information and results to VSDC. VSDC determines payment obligations and sends notifications to payment banks. The transfer of payments, including greenhouse gas emission quotas and carbon credits, is conducted on VSDC's Carbon Transaction Payment System, while monetary payments occur at payment banks on a per-transaction basis when buyers have sufficient funds and sellers have sufficient greenhouse gas emission quotas and carbon credits in their accounts.

**7. Payment Bank**

Only the State Bank of Vietnam or commercial banks selected by MOF as payment banks are authorized to provide payment services for transactions involving greenhouse gas emission quotas and carbon credits on VSDC's Carbon Transaction Payment System.

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<sup>i</sup> Article 17 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change

<sup>ii</sup> Article 139.1 of the Law on Environmental Protection 2020