

Vietnam's Carbon Credit and GHG Emission Framework: Key Updates and Future Directions



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1. Legal framework overview

The legal framework for mitigating the greenhouse gas (GHG) emission and trading carbon credit and GHG emission quotas in Vietnam is shaped by both international treaties and domestic regulations.

International treaties and agreements

- **Paris Agreement (2015):** it replaced the Kyoto Protocol to implement the United Nations framework convention on climate change (effective date 4 November 2016 - replacing Kyoto Protocol). Vietnam signed and approved the Paris Agreement in 2016. Vietnam committed to reduce its greenhouse gas (GHG) through its Under the Nationally Determined Contribution (NDCs).¹
- **Vietnam-Japan MOU on Low Carbon Growth (2013):** This memorandum facilitated projects under the Joint Crediting Mechanism (JCM) from 2013 to 2020, with discussions ongoing for a new JCM treaty for the next period.

While Circular 17/2015/TT-BTNMT on JCM guiding JCM within the Vietnam-Japan cooperation framework (which was prepared based on the MOU) is still effective, based on our discussion with the

¹ <https://unfccc.int/sites/default/files/NDC/2022-11/Viet%20Nam%20NDC%202022%20Update.pdf>

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Ministry of Natural Resources and Environment of Vietnam (**MONRE**), in practice, JCM transactions would be put on hold to wait for the new JCM agreement between Vietnam and Japan.

Domestic regulations

Vietnam has issued several legal instruments to implement Vietnam's commitments to reduce GHG:

- **Environment Law 2020 (LEP 2020)**: has a chapter on responding to climate change which stipulates the responsibility in GHG emission reduction and climate change adaptation to implement Vietnam's NDC and Paris Agreement 2015.
- **Decree 06/2022 and other implementing regulations**: provide a detail regulatory framework and guidelines for the reduction of GHG emission, the development of a national GHG inventory and monitoring system, and the infrastructure for carbon trading.

2. Setting up the infrastructure for carbon trading in Vietnam

GHG Inventory and Reporting obligations

GHG Inventory: Decree 06/2022 manages the development of a national GHG inventory which is a critical component for the accurate measurement, reporting, and verification of emissions. Specific sectors are required to develop their own GHG inventories, which contribute to the national inventory.

Facilities in the following GHG emitting sectors are required to conduct GHG inventories if they fall into the lists issued by the Prime Minister under Decision 13/2024:²

- **Energy**: emissions from fuel combustion, including energy industry, energy consumption in industry, trade, services and civil use, coal mining, oil and natural gas extraction;
- **Transportation**: energy consumption in transport activities;
- **Construction**: energy consumption in the construction sector, industrial processes in production of construction materials;
- **Industrial processes**: including chemical production, metallurgy, electronics industry, use of substitutes for ozone-depleting substances, production and use of other industrial products;
- **Agriculture, forestry and land use**: including livestock production, forestry and land repurposing, crop production, energy consumption in agriculture, forestry and fisheries, other sources of emissions in agriculture; and
- **Waste**: solid waste landfills, biological treatment of solid waste, incineration and open burning of wastes, wastewater treatment and discharge.

² Decision 13/2024/QĐ-TTg (effective from 1 October 2024) providing list of sectors and facilities that must carry out a greenhouse gas (GHG) calculation/inventory. This decision replaced Decision 01/2020 of the Prime Minister from 1 October 2024.

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Facilities in the GHG emitting sectors should carefully review the update lists to determine whether they are required to develop GHG inventories and comply with the reporting obligations (**Emitting Facilities**).³

Reporting obligations: Emitting Facilities are required to report operational data, formulate a plan to mitigate GHG emission, carry out the GHG inventory and measure the GHG emission mitigation result and report to the competent authorities.

The reports on GHG emission mitigation must include detailed data on emissions sources, emission factors, and methodologies used for calculations, technologies and management methods to mitigate GHG emission and results. The reported data must be verified by accredited third-party organizations to ensure accuracy and reliability.

Please see further details in our newsletter on Decree 06/2022 issued in March 2022 on reporting obligations.

In-progress allocation of GHG emission quotas

Establishment of Quotas: ⁴ based on Vietnam's NDC on GHG emission mitigation, the results of GHG inventories in the latest inventory period of Emitting Facilities in the GHG emitting sectors, the MONRE shall cooperate with relevant ministries to propose to the Prime Minister the total quota of GHG emission, proportions of quotas for reserve and quotas for auction for the period from 2026 to 2030 and every year. It is expected that the Prime Minister shall promulgate the national quotas for 2026 after June 2025 and by the end of 2025 at latest. For 2026, the GHG emission quotas are proposed to be allocated to only large-scale Emitting Facilities being thermal power plants, iron steel manufacturing facilities, and cement manufacturing facilities.⁵

Entity-Level Allocation: ⁶ Based on the national quotas, quotas are allocated to specific sectors and Emitting Facilities based on their historical emissions, potential for emission reductions, and overall contribution to national GHG emissions. The MONRE shall take charge and cooperate with relevant ministries in formulating and promulgating GHG emission factor of each product applicable to Emitting Facilities in the period from 2026 to 2030 and in every year. It is expected that the GHG emission quotas allocated to the large-scale Emitting Facilities for 2026 shall be promulgated by 31 December 2025.

Proposed options in the draft regulation: under the draft decree amending some provisions of Decree 06/2022 and appraisal dossier of this draft decree (**Draft Decree**), Vietnam is considering two options to establish the national quotas and allocate entity-level quotas.

³ We can support your companies in verifying whether your companies are subject to the GHG inventory and reporting obligations.

⁴ Article 12.1 of Decree 06/2022

⁵ Draft Decree amending Decree 06/2022 proposes allocating GHG emission quotas to large-scale Emitting Facilities based on the

⁶ Article 12.2 of Decree 06/2022

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- Option 1: similar process as regulated in Decree 06/2022 with further details on timeline and specific ministries involved in proposing the entity-level quotas allocated to Emitting Facilities in the relevant sectors.
- Option 2: Establishing an Inter-ministerial Council on assessment of the national quotas and quotas allocation (**Inter-minitrial Council**) which include a Deputy Prime Minister and managers of relevant ministries, experts in relevant sectors (if necessary). The Inter-ministerial Council's assessment will be a base for the MONRE to propose to the Prime Minister the national quotas and entity-level allocation.

The Draft Decree also proposed a roadmap to allocate GHG emission quotas to which for the period of 2026, GHG emission quotas shall be allocated to only large-scale Emitting Facilities being thermal power plants, iron steel manufacturing facilities, and cement manufacturing facilities. The allocation of GHG emission quotas for 2027 - 2028 and 2029 - 2030 to Emitting Facilities shall be considered based on the proposal of relevant ministries.

3. Domestic carbon market

Roadmap: The Ministry of Finance (MOF) is in charge of the formulation and establishment of the Carbon Trade Exchange (CTX) of which the trial operation shall start from 2025 and the official operation shall start in 2028. However, no draft regulation on CTX and trading rulings has been available to the public.

Domestic market participants: under Decree 06/2022, the following parties can participate in exchanging and trading on the domestic market of Vietnam (**Domestic Market Participants**): (i) Emitting Entities, (ii) entities obtaining carbon credits through CDM and JCM or other projects on exchanging and setting off carbon credits through the domestic and international markets in line with the international treaties and domestic regulations; and (iii) entities relating to the investment and trading of carbon credits and GHG emission quotas on the carbon market.

However, the Draft Decree proposed to restrict (i) domestic market participants to Emitting Entities to exchange⁷ the GHG emission quotas to each other and (ii) entities who can exchange carbon credit to Vietnamese organisation, individuals and "foreign organisations having the legal entity status in Vietnam".⁸ It appears that the Draft Decree is following the restrictive approach of China rather than the liberal approach of EU with aiming of mitigating market fluctuations.⁹

⁷ Exchange as defined in Decree 06/2022 includes sale, purchase, auction, borrowing, repayment, transfer quota, carbon credits on carbon market exchange.

⁸ It is not clear whether the "foreign organisations having the legal entity status in Vietnam" implies the requirement of establishing a commercial presence in Vietnam or satisfy the requirement of having the legal entity status under Vietnamese law. The former is not reasonable to us since it will limit the exchange rights of parties participating in CDM, JCM and other mechanism under Article 6 of the Paris Agreement to trade their carbon credits on the carbon market of Vietnam.

⁹ The MONRE's report on international experience on organisation and development of carbon credit dated 28 June 2024.

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The Prime Minister recently issued decision 232/QĐ-TTg on 24 January 2025 approving the proposal on establishment and development of the carbon market in Vietnam (**Decision 232**), which adopts the restrictive approach. Under Decision 232, only Emitting Entities could exchange the GHG emission quotas with each other. However, the exchange of carbon credits remains open to all Domestic Market Participants (including foreign entities obtaining carbon credits through CDM and JCM).

Instruments tradeable on Vietnamese carbon market: Under Decision 232, the following instruments can be traded on the carbon market in Vietnam:

- GHG emission quotas which are allocated to Emitting Facilities;
- Carbon credits certified for trading which include carbon credits obtained from projects under the domestic exchange and offset mechanism or the international mechanism (including CDM, JCM and mechanism under Article 6 of the Paris Agreement).