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Vietnam Establishes Framework for Domestic Carbon Trading and Credit Mechanisms under Decree 29/2026/ND-CP.

Legal Update | July 2026

On 19 January 2026, the Government of Vietnam issued Decree No. 29/2026/ND-CP establishing the regulatory framework for the domestic carbon market (***Decree 29***). Decree 29 provides the legal basis for the trading of greenhouse gas emission allowances and carbon credits as structured financial assets on a regulated domestic exchange. Significantly, Decree 29 establishes the operational infrastructure for the carbon market by designating existing national stock exchange systems for the clearing and settlement of carbon transactions, signalling the Government's intent to transition from policy-level commitments to a fully functioning compliance carbon market.

This Legal Update highlights the key provisions of Decree 29:

1. Market Participants

The following entities are permitted to participate in the domestic carbon market:[1]

(i) Emission Allowance Traders: Limited to target facilities that have been formally allocated greenhouse gas (***GHG***) emission allowances by the State. At present, 110 facilities operating in the thermal power, steel and cement sectors have been allocated more than 511 million tonnes of GHG allowances for the 2025–2026 period[2];

(ii) Credit Traders: Any organisation established and operating in Vietnam that engages in the exchange of carbon credits; and

(iii) Transaction Support Entities: Financial service providers authorised to facilitate the exchange of GHG emission allowances and carbon credits on the domestic carbon trading platform, including securities companies and settlement banks.

2. Permitted Carbon Assets

The following carbon assets are eligible for trading on the domestic exchange:

(i) GHG Emission Quotas: Allocated by the State via both free allocation and auction methods;

(ii) Domestic Carbon Credits: Derived from projects under domestic exchange and offsetting mechanisms;

(iii) International Carbon Credits: Specifically, those obtained through:

  (1) The Clean Development Mechanism (***CDM***);

  (2) The Joint Credit Mechanism (***JCM***); and

  (3) Mechanisms under Article 6 of the Paris Agreement under the United Nations Framework Convention on Climate Change (***Paris Agreement***).

3. Trading Mechanisms

(i) Facilities that exceed their allocated emission quotas are required to purchase additional allowances from lower-emitting enterprises or offset excess emissions using carbon credits. Carbon credit offsets are capped at 30 per cent of a facility's total allocated allowances.[3]

(ii) Participants are required to open securities accounts with licensed securities companies authorised to participate in the carbon exchange. Trades are confirmed upon execution, with monthly statements issued covering both cash balances and emission allowance holdings. Trading results are published daily on the website of the Hanoi Stock Exchange (***HNX***), which operates the trading platform.[4]

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[1] Article 7 Decree 29; Article 16 Decree 06/2022/ND-CP as amended by Decree 119/2025/ND-CP.
[2] Decision 263/QD-TTg dated 9 February 2026; Decision 699/QD-BNNMT dated 27 February 2026.
[3] Article 19.8(a) Decree 06/2022/ND-CP as amended by Decree 119/2025/ND-CP.
[4] Article 14 Decree 29.

(iii) Sellers must hold sufficient permitted carbon assets in their accounts and buyers must maintain sufficient funds to settle the purchase price.[5] Accordingly, derivative instruments for carbon assets are not currently available under the regulatory framework.

4. State Authorities in Charge

(i) Ministry of Agriculture and Environment (***MAE***)**:** Responsible for managing the goods (i.e. GHG emission quotas and carbon credits), certifying traders, and operating the National Registration System.

(ii) Ministry of Finance (***MOF***)**:** Oversees the financial operation of the market and monitors trading activities;

(iii) State Securities Commission (**SSC**)**:** Approves the selection of Settlement Banks and provides opinions on the operational regulations of the exchange and depository systems;

(iv) Operating Bodies: The Hanoi Stock Exchange (***HNX***) operates the trading system, while the Vietnam Securities Depository and Clearing Corporation (***VSDC***) manages depository and payment services.

5. Proposed Timeline and Platform Readiness

The platform is being rolled out in distinct phases:

(i) Pilot Phase (Present – 31 December 2028): Focuses on testing the exchange operations. During this period, HNX and VSDC will not charge service fees to encourage participation.

(ii) Official Operation (From 1 January 2029): The market will move to full commercial operation, and service fees will commence.

6. Pilot Phase

On 29 June 2026, the first carbon trade in Vietnam was executed, marking the launch of the pilot phase. During this initial phase, trading is limited to GHG emission allowances. On the inaugural trading day, a total volume of 1,200 tonnes of CO_2 equivalent was transacted, representing a total value of VND 161,700,000 (approximately USD 6,468).[6]

The pilot phase will run until 31 December 2028, after which the market will transition to full commercial operation from 1 January 2029. During the pilot phase, participants are exempt from exchange service fees.

Key Takeaways

The immediate scope of the pilot carbon market remains relatively narrow. Only 110 facilities across the thermal power, iron/steel and cement sectors are currently subject to the emissions trading scheme, and no timeline has been announced for expansion to additional industries. That said, the framework creates tangible commercial opportunities even at this early stage.

Facilities holding surplus allowances will be able to monetise them on the exchange, and demonstrable carbon credit holdings may support access to green financing by evidencing environmental compliance. However, important gaps remain. The detailed operational rules of HNX and VSDC, fee structures that will apply after the pilot period ends in 2028, and the criteria for extending the scheme to new sectors have yet to be issued.

Moreover, the current framework requires physical delivery of carbon assets and does not accommodate derivative or futures instruments — meaning that more sophisticated hedging and trading strategies are not yet available to market participants. Stakeholders with exposure to the covered sectors should monitor implementing guidance closely as the regulatory picture continues to develop.

[5] Article 14.3 Decree 29.
[6] https://vir.com.vn/vietnam-launches-pilot-carbon-trading-exchange-155704.html

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