

Vietnam

General Information

ETS Description

Vietnam's national ETS is established under the "Law on Environmental Protection" and "Decree 06/2022/ND-CP", which provide the national framework for GHG mitigation, carbon markets, and monitoring, reporting, and verification. This framework was clarified and operationalized by Decree 119/2025/ND-CP, effective from August 2025, which defines the design of the ETS and institutional responsibilities. According to the legal framework, the national ETS is a key component of the country's strategy to meet its NDC for 2030 and achieve net-zero GHG emissions by 2050.

The ETS is designed to begin with a pilot phase running from 2025 to 2028, during which allowances are allocated for free, and the regulatory framework is reviewed and evaluated. The system applies an intensity-based approach, with allowances allocated using sector-specific benchmarks and verified output, while compliance obligations are determined ex post based on verified emissions.

Decree 119 also establishes flexibility provisions, allowing covered entities to bank unused allowances through 2030, borrow up to 15% of allowances from future periods, and use offset credits for up to 30% of their compliance obligation. Eligible offset credits must be generated after January 2021 and originate from mechanisms aligned with Article 6 of the Paris Agreement, including transitioned Clean Development Mechanism activities under Article 6.4, the Joint Crediting Mechanism, and other approved bilateral arrangements.

The pilot phase initially covers 110 facilities, including thermal power plants, iron and steel facilities, and cement producers. In February 2026, Decision 263/QĐ-TTg approved aggregate allowance budgets for the first pilot period: 243.1 MtCO₂e for 2025 and 268.4 MtCO₂e for 2026. Based on these budgets, installation-level allocation will be finalized by MAE. From 2029, the ETS will gradually introduce allowance auctioning, expand sectoral coverage, and explore linkages with international carbon markets under Article 6 cooperation.

ETS Status

in force

Jurisdictions

Viet Nam

Year in Review

In August 2025, Decree 119/2025/ND-CP entered into force, significantly advancing Vietnam's ETS by operationalizing its design, clarifying rules for allowance allocation and compliance, and introducing flexibility provisions, including banking, borrowing, and the use of offset credits. In January 2026, Vietnam issued Decree 29/2026/ND-CP on the domestic carbon trading platform. The decree designates the Vietnam Stock Exchange as the authority responsible for administering trading activities, strengthens provisions on market manipulation and sanctions, and limits trading to spot, on-exchange transactions. In February 2026, Decision 263/QĐ-TTg approved aggregate GHG emission allowance budgets for the first pilot period, establishing annual ceilings on the volume of allowances that may be allocated to covered installations.

With Decree 29/2026, Vietnam's domestic carbon trading platform is expected to become operational by the end of 2026. Installation-level allocation for the 2025–2026 pilot period is expected to be finalized by MAE based on the approved aggregate GHG emission budgets. Further reviews under Decree 119/2025/ND-CP will inform pilot evaluation, future allocation cycles, and the transition from the pilot phase to full ETS operation after 2028.

Sectoral coverage

Industry

Power

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

316.7 MtCO₂e (2016)

GHG reduction targets

By 2030: 43.5% reduction compared to BAU levels (“National Strategy for Addressing Climate Change through 2050 [Decision No. 896/QĐ-TTg]”)

By 2050: Net-zero GHG emissions (National Strategy for Addressing Climate Change through 2050 [Decision No. 896/QĐ-TTg])

Size & Phases

Phases

PHASE 1 (Pilot Phase): Two years (2025 to 2026)

PHASE 2 (Pilot Phase): Two years (2027 to 2028)

PHASE 3: Two years (2029 to 2030)

Cap or total emissions limit

The total emissions limit under the Vietnam Pilot ETS changes as a function of production (output) and is the sum of the bottom-up output-based emissions limits for all individual covered entities. The bottom-up emissions limits do not represent an absolute cap.

- Allowance budget (2025): 243.1 MtCO₂e
- Allowance budget (2026): 268.4 MtCO₂e

Sectors and thresholds

PHASE 1: Thermal power plants, iron and steel production, cement production.

INCLUSION THRESHOLDS: Vietnam does not apply a numerical emissions or fuel-use threshold. Facilities are included if they appear in the approved list of major GHG emitting facilities required to conduct inventories (per Article 5 and Annexes of Decree 06/2022 and Decree 119/2025).

Point of regulation

Point source

Type of entities

Installations/facilities

Number of entities

Phase 1 (2025 to 2026) will cover 34 thermal power plants, 25 iron and steel facilities, and 51 cement facilities.

Allowance Allocation & Revenue

Allowance allocation

PHASE 1:

Auctioning:

- No auctioning in the pilot phase.

Free allocation:

- Output-based benchmarking, reflecting emission intensity per unit of product, production plans, mitigation potential, and technical and financial capacity
- Free allocation share: 100%.

Flexibility & Linking

Offset credits

The use of offset credits is allowed. Covered facilities may use domestic and international carbon credits for compliance alongside allowances.

QUALITATIVE LIMITS: Eligible offset credits are domestic carbon credits issued under the national carbon credit exchange and offset mechanism, and international credits from mechanisms implemented under Articles 6.2 and 6.4 of the Paris Agreement, for emission reductions achieved from January 1, 2021 onwards, and registered in the National Registry System.

QUANTITATIVE LIMITS: Facilities may use offset credits to cover up to 30% of their surrender obligation for each allocation period.

Banking and borrowing

Banking is allowed: facilities may transfer unused allowances to the next phase.

Borrowing is allowed: facilities may borrow up to 15% of their next-phase allocation (non-tradable) until 2030.

Other carbon pricing instruments in the jurisdiction

Domestic offsetting mechanisms: Domestic Carbon Credit Exchange and Offset Mechanism (*Cơ chế trao đổi, bù trừ tín chỉ các-bon trong nước*) under Decree 06/2022 and Decree 119/2025.

Compliance

Compliance mechanism

Covered entities must surrender one compliance unit (allowance or eligible carbon offsets), per tCO₂e emitted for all their covered emissions.

Facilities may use domestic carbon credits and eligible international credits (Articles 6.2 and 6.4) to offset their compliance obligations, subject to quantitative limits.

Compliance Period

Two years.

Covered entities must surrender allowances (and eligible offset credits) by December 31 of the year following the end of each allocation period.

Monitoring, Reporting, Verification (MRV)

FRAMEWORK: MRV requirements are established under Decree 06/2022/NĐ-CP and Decree 119/2025/NĐ-CP, which set out national rules for GHG monitoring, reporting, and verification for both ETS and non-ETS sectors, as well as the National MRV System.

MONITORING: Facilities listed in the national inventory of major emitters must conduct continuous monitoring of activity data needed for emission calculation.

Monitoring plans are implicitly required through sectoral guidance; facilities must follow methods and emission factors issued by line ministries.

MRV obligations also apply to major emitters in energy, industry, agriculture, waste, and LULUCF, with monitoring required from 2024 onward (facility-level inventories biennially from 2024 or 2025, depending on category).

Facilities allocated quotas (thermal power, iron and steel, cement) must monitor emissions for each allocation period starting 2025.

REPORTING: Biennial inventory reports to be submitted to provincial authorities by March 31 of the year following the end of each reporting period, starting from 2025 for most facilities.

Facilities allocated quotas submit verified inventories annually by December 1, starting from 2027.

VERIFICATION: Third-party verification is required for facility-level GHG inventory results for all installations allocated quotas, annually from 2027 onward

Penalties and enforcement

During the pilot phase, compliance with ETS obligations is required; however, no monetary fines or penalties will be applied for non-compliance.

Enforcement during the pilot focuses on administrative oversight, including mandatory MRV and controls through the National Registration System. Decree 119/2025/NĐ-CP refers to the general framework on administrative violations in environmental protection, which may apply to reporting and procedural non-compliance. Penalties and stronger enforcement measures for allowance shortfalls are expected to be defined for post-pilot stages of the ETS.

Market Regulation

Market Stability Provisions

No formal market stability mechanism under the current regulation.

Market Design

MARKET PARTICIPATION: Compliance entities (installations/facilities allocated quotas) may hold and trade allowances. Financial service providers and individuals are not explicitly mentioned in the regulation.

MARKET TYPES:

Primary: There are no auctions during the Pilot Phase; allowances are allocated for free to covered facilities.

Secondary: Until the carbon exchange is operational, no organized secondary market is in place.

LEGAL STATUS OF ALLOWANCES: Allowances are defined as rights to emit one tCO₂e and are tradable on the exchange, but they are not explicitly classified as financial instruments in current regulation.

Other Information

Institutions involved

Ministry of Agriculture and Environment (MAE): Responsible for rulemaking for the carbon credit and ETS markets; organizing the pilot and official operation of the carbon trading floor; allowance allocation, exchange, and surrender; monitoring and supervision of the carbon market. It also administers the national GHG inventory and operates the National Registration System for allowances and carbon credits.

Ministry of Finance (MoF): Responsible for establishing and managing the carbon exchange infrastructure, including financial regulations and market oversight. The MoF coordinates with MAE to develop the financial management framework governing market transactions, fees, and auctioning procedures during the transition to full ETS operation.

Regulatory Framework

[Law No. 72/2020/QH14 on Environmental Protection, 133-139'20/OG](#)

[Decision No. 896/QĐ-TTg dated July 26, 2022](#)

[Decision 01/2022/QĐ-TTg](#)

[Decree 06/2022/NĐ-CP](#)

[Decision 232/QĐ-TTg](#)

[Decree 119/2025/NĐ-CP](#)

Evaluation / ETS review

Vietnam's ETS framework includes provisions for periodic review and evaluation during the pilot phase. Under Decree 119/2025/NĐ-CP, MAE is responsible for monitoring implementation, reviewing compliance data, and coordinating assessments of ETS performance in cooperation with relevant line ministries. Evaluation during the pilot phase is intended to inform adjustments to allocation rules, benchmarks, sectoral coverage, and flexibility provisions ahead of full system operation after 2028. Reviews are expected to draw on verified emissions data reported through the national MRV system and recorded in the National Registration System.

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