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**ENERGY
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Report

Assessment of Transaction Methods, Management, and Supervision of Allowances and Carbon Credits Trading on the Carbon Trade Exchange of Vietnam

VIETNAM CARBON TRADE EXCHANGE - PILOT PREPARATION WITH MINISTRY OF FINANCE
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REPORT 4

Vietnam Carbon Trade Exchange Pilot Preparation with Ministry of Finance, Phase 2

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Supervision of Allowances and Carbon Credits Trading on
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COLOPHON AND DISCLAIMER

Beneficiaries

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EXECUTIVE SUMMARY

Vietnam's commitment to achieving net-zero greenhouse gas emissions by 2050 has elevated the development of a domestic carbon market from a policy concept to an operational priority. The establishment of the Carbon Trade Exchange (CTX), mandated under the Law on Environmental Protection and further articulated through successive Government Decrees and the Prime Minister's Decision No. 232/QD-TTg, represents a critical institutional step toward deploying market-based instruments for cost-effective emissions reduction.

This report - Deliverable 4 - provides a focused technical and institutional assessment of the proposed CTX pilot model as set out in the Draft Decree on the domestic carbon trade exchange and consultation with key stakeholders at the Ministry of Finance (MOF), Ministry of Agriculture and Environment (MAE) and other related agencies under MOF. Its scope is deliberately confined to the transaction methods, governance structure, and supervision framework of the CTX, reflecting the core mandate of this deliverable within the broader technical assistance programme supporting the Ministry of Finance.

A central finding of the report is that the Draft Decree adopts a strategically sound institutional architecture by leveraging Vietnam's existing securities-market infrastructure. The designation of the Hanoi Stock Exchange (HNX) as the trading system operator and the Vietnam Securities Depository and Clearing Corporation (VSDC) as the depository and settlement operator provides the CTX with immediate access to mature operational systems, established market practices, and experienced supervisory arrangements. This approach significantly reduces implementation risk and aligns with international experience in jurisdictions where carbon markets are embedded within or closely linked to financial-market infrastructure.

However, the analysis also demonstrates that a carbon market, particularly one oriented toward regulatory compliance and environmental integrity, differs fundamentally from conventional securities markets in its objectives, risk profile, and regulatory logic. As a result, while many securities-market mechanisms are transferable, they cannot be applied mechanically. Effective operation of the CTX requires clear differentiation between financial-market functions and carbon-market responsibilities, especially with respect to asset eligibility, registry integration, supervision of market conduct, and coordination between environmental and financial authorities.

The report highlights the central role of the National Registry System (NRS) managed by the Ministry of Agriculture and Environment (MAE) in safeguarding the environmental integrity of the market. The proposed CTX model relies on close operational coupling between the NRS, the trading system, and the depository and settlement infrastructure. International experience confirms that this registry-exchange interface is a defining feature of successful emissions trading systems and a critical determinant of market credibility.

Benchmarking against the EU ETS, UK ETS, and China's national ETS further reinforces the importance of tailored supervision frameworks for carbon markets. While financial-market surveillance tools provide a strong foundation, carbon markets require additional attention to issues such as allowance integrity, market concentration driven by compliance positions, and coordination between environmental regulators and financial supervisors. These considerations

are particularly relevant in the Vietnamese context, given the hybrid governance model proposed in the Draft Decree.

The assessment of advanced digital technologies concludes that a pragmatic, data-centric approach offers the greatest near-term value. Rather than pursuing full tokenisation of carbon units during the pilot phase, targeted use of digital tools, such as distributed ledger technologies applied to data notarisation, reconciliation, and traceability, can enhance transparency and system integrity while remaining consistent with the existing legal framework.

Overall, Deliverable 4 does not seek to redesign the CTX model proposed in the Draft Decree; instead, it clarifies how that model functions in practice, where it aligns with established market mechanisms, and what institutional considerations are essential for its credibility and effectiveness. In doing so, the report provides a concise, policy-relevant synthesis to support the Ministry of Finance and other competent authorities in finalising the regulatory framework and preparing for the successful launch of Vietnam's CTX pilot.



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