ENERGY TRANSITION PARTNERSHIP

REPORT

Viet Nam's Green Transition in the New Context: Economic and Financial Priorities for 2026–2030

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Executive Summary

Viet Nam has entered a decisive phase in its pursuit of a green, resilient and competitive development pathway. The commitments set out in the updated Nationally Determined Contribution (NDC), the net-zero pledge for 2050, the Political Declaration of the 13th Party Congress, and the Socio-Economic Development Strategy 2021-2030 (SEDP) provide a strong strategic anchor. These national objectives are complemented by Viet Nam's participation in key global climate-finance initiatives, including the Just Energy Transition Partnership (JETP), the Political Partnership for Green Growth (P4G), most recently, the COP30 outcomes in Belém, which expanded global access to concessional finance, launched the Global Implementation Accelerator and tripled the scale of adaptation finance to 2035.

Amid this global momentum, Viet Nam faces the dual challenge of accelerating its green transition and avoiding a middle-income, middle-technology, high-carbon development trap. Viet Nam's energy intensity remains significantly above the global average; emissions in industry and transport continue to rise; climate-related trade barriers (EU CBAM, EUDR, supply-chain decarbonisation requirements) are tightening; and domestic green-finance architecture is still nascent. At the same time, Viet Nam's demographic window, supply-chain relevance and strong political commitment create a unique opportunity to position the country as a regional hub for green manufacturing, green services and sustainable finance.

This report offers crucial green growth policy priority recommendations for the 2026-2030 period. It will be circulated for public consultation at the Vietnam Economy and Finance Forum 2025, organized by the Ministry of Finance under the theme: ***'Shaping Viet Nam in the New Context: Strategic Vision of the Economy and Finance for the 2026-2030 Period.'*** The report argues that the green transition must be viewed not merely as a separate environmental agenda, but as the organising framework for Vietnam's next phase of economic and sustainable development. Consequently, the Ministry of Finance holds a decisive role in steering this transition through key levers, including investment and planning oversight, fiscal policy, public financial management, financial-sector regulation, and capital-market development.

1. Viet Nam's Green Transition: State of Play and Strategic Opportunities

Despite still being at an "emerging" stage on the global green-transition map, Viet Nam has built a relatively comprehensive strategic framework. Key pillars include the National Green Growth Strategy, the National Climate Change Strategy to 2050, the National Environmental Protection Strategy, the Power Development Plan VIII (PDP8), the national green taxonomy (Decision 21/2025/QD-TTg), and a series of sectoral plans in energy, transport, agriculture and industry. Together they provide a strategic direction for low-carbon growth and more sustainable patterns of resource use.

However, the energy system remains carbon intensive. Coal still accounts for around half of primary energy consumption and more than half of electricity generation; the most recent

data indicate that coal-fired generation represented roughly 46.2 percent of power output in the first 10 months of 2025, while renewable energy (solar and wind) contributed 12.1 percent (of which solar power accounted for 7.66%, wind power accounted for 4.09%) (MOIT, 2025). Viet Nam's carbon intensity reached approximately 0.28 kg of CO_2 per USD of GDP (PPP) in 2023, significantly higher than the global average of 0.19 kg CO_2/USD GDP. Over the period 1990-2023, Viet Nam's carbon intensity fluctuated between 0.12 and 0.30, with an average of around 0.21, indicating that emissions per unit of economic output have remained consistently high[1]. In 2023, the country's total CO_2 emissions were estimated at 373 million tons, reflecting a strong reliance on fossil fuels within the energy system and a production structure that remains carbon-intensive. These figures demonstrate that Viet Nam's growth model continues to be heavily emission-dependent, with each unit of GDP associated with relatively high levels of CO_2 emissions-posing risks to green growth objectives and to the country's ability to meet increasingly stringent global carbon standards. Viet Nam therefore faces a dual risk: vulnerability to fossil-fuel price volatility and growing exposure to international climate-trade measures such as the EU Carbon Border Adjustment Mechanism (CBAM).

International and domestic analysis converges on the scale of investment required. Estimates suggest that achieving net-zero by 2050 and ensuring climate resilience could require additional investment of 6.8 per cent of GDP per year, amounting to hundreds of billions of US dollars by 2040. For the energy sector alone, various scenarios indicate the need for annual investments in the order of USD 8-10 billion for renewables, grids and storage; other assessments place total power-sector investment needs even higher when transmission and distribution are fully accounted for. The adjusted Power Development Plan VIII (Decision No 768/QD-TTg of the Prime Minister) estimated that the 2026 - 2030 period total investment capital for developing power sources and transmission grids would be equivalent to 136.3 billion USD (of which investment for power sources would be about 118.2 billion USD, transmission grid would be about 18.1 billion USD), with varied sources of capital from state budget, private, public-private partnership, international support commitments (e.g. JETP, AZEC, ...), green credit sources, climate credit, green bonds...

Within this challenging landscape, several strategic opportunities stand out:

- **Access to concessional and catalytic climate finance**: JETP, multilateral climate funds (Green Climate Fund - GCF, Global Environment Facility - GEF, Climate Investment Fund - CIF), and climate-aligned facilities from the ADB, World Bank and bilateral partners are now explicitly oriented towards countries that can provide bankable, high-integrity project pipelines and demonstrate strong public-finance governance. For Viet Nam, this is both a financing opportunity and an incentive to accelerate reforms in green public financial management (green budgeting, climate-risk screening of public investment, carbon-pricing instruments).

[1] According to data from TheGlobalEconomy.com

- **Nascent domestic carbon market**: Vietnam has published a roadmap for a domestic carbon market, with a pilot phase to 2028 and full operation thereafter. In addition, Viet Nam's significant forestry and land-use potential can create a sizeable pipeline of high-quality carbon credits. If properly governed, this can complement tax revenues, de-risk green investments and support a just transition in regions dependent on carbon-intensive activities.

- **Global production reconfiguration and "China+1" strategies**: The tightening of ESG and climate standards in major export markets is prompting multinational enterprises to diversify their supply chains. With the right policy signals and incentives, Viet Nam can attract high-value investment in low-carbon manufacturing, batteries and EV components, and circular-economy industries such as advanced recycling and waste-to-resources.

- **Emerging green-finance and green-services markets**: Domestic banks, including large state-owned institutions such as Agribank and VietinBank, have begun integrating ESG criteria into lending, scaling up green credit, and experimenting with green deposits and sustainable-finance frameworks. The State Securities Commission (SSC) has issued guidance on green bonds, sustainable-business indices and ESG disclosure. These developments can underpin a broader ecosystem of green financial products, credit-rating services, and climate-risk analytics, positioning Viet Nam as a regional hub for green services if properly nurtured.

2. Systemic Gaps and Structural Constraints

Notwithstanding this progress, the report identifies several structural gaps which, if unresolved, could prevent Viet Nam from realising its green-transition ambitions in the 2026-2030 period.

2.1 Institutional and legal fragmentation

Strategic documents on green growth, climate change, energy, transport, agriculture and industry have largely been developed in parallel, with limited cross-referencing and operational integration. In practice, targets set out in green-growth and climate strategies are not consistently incorporated into PDP8 revisions, provincial socio-economic plans, industrial strategies or public-investment programmes.

In parallel, the investment-approval regime has often been complex, especially for large energy and infrastructure projects. The ongoing revision of the Investment Law is therefore a crucial opportunity not only to simplify procedures and strengthen decentralisation, but also to embed climate and green-transition objectives into the criteria for investment approval and incentives, for example by explicitly privileging low-carbon, high-technology, and high-value-added projects that meet clear environmental and social standards.

2.2 Incomplete green-finance architecture

The adoption of the national green taxonomy under Decision 21/2025/QD-TTg is a major step forward. It defines criteria for classifying environmentally sustainable activities and provides a basis for credit allocation, green bonds and climate-aligned public investment. Yet important elements remain underdeveloped:

- Technical screening criteria and "do no significant harm" (DNSH) safeguards need to be fully elaborated and translated into actionable guidance for banks, enterprises and investors.
- MRV (measurement, reporting and verification) arrangements are still incomplete, particularly for new instruments such as green bonds, transition finance and carbon-credit projects.
- Mutual recognition with regional and international taxonomies (for example ASEAN and EU frameworks) has not yet been formalised, which may increase transaction costs and uncertainty for foreign investors.

In practice, the green-finance market remains modest in scale. Green credit is growing quickly from a low base, with some large state-owned banks now holding green portfolios in the tens of trillions of dong, but overall volumes are still small relative to total credit. Green-bond issuance has been limited, and there is as yet no large national green guarantee fund, transition-bond framework or first-loss facility to crowd in private capital at scale.

The draft Decree on domestic carbon trading exchange, with trading expected to take place on Hanoi Stock Exchange (HNX) will be another cornerstone of the green-finance ecosystem. However, questions remain around credit quality, ownership rights, registry design, and the integration of the carbon market with the broader fiscal and financial system. In addition to social considerations-such as the potential use of carbon revenues to support vulnerable households and regions-there is a need to ensure that carbon proceeds are also directed toward environmental objectives, including emissions reduction, energy-transition investment, and climate-resilience measures. This highlights the importance of developing a coherent green budgeting framework to guide the allocation, tracking, and reporting of carbon revenues in line with national climate and environmental priorities.

2.3 Technology, data and human-capital constraints

Viet Nam's position in the global technology ladder remains relatively low. Energy intensity is significantly above the global average, and many industrial sectors operate with outdated equipment and practices. Around 80 per cent of renewable-energy equipment is imported, and domestic capacity to produce high-value components (such as advanced storage systems, hydrogen electrolysers or high-efficiency turbines) is still limited.

Data constraints are equally serious. Sectoral emissions and energy-use databases are fragmented, often incompatible, and not systematically interoperable. The 2022 NDC already noted the absence of integrated datasets for water resources, climate impacts and sectoral

emissions. Without robust and integrated data systems, it is difficult to design effective policies, track progress or comply with international reporting obligations.

Human-capital bottlenecks compound these challenges. The pool of professionals with expertise in renewable-energy engineering, climate-risk assessment, green finance, carbon accounting and circular-economy management remains thin and concentrated in major urban centres or donor-supported projects. Training systems, from vocational education to universities, have not yet fully adapted to the skills demanded by a green and digital economy.

2.4 Trade-related climate risks and market access

From 2026, exports of high-emissions products such as steel, cement, fertilisers and aluminium will face increasing scrutiny under CBAM and equivalent mechanisms. By 2030, CBAM's scope is expected to extend to all product groups covered by the EU ETS and to products with a risk of carbon leakage, including crude petroleum and petroleum products, inorganic basic chemicals, synthetic rubber, non-ferrous metals. Other countries are considering implementing a carbon border adjustment mechanism similar to CBAM such as the UK (expected full implementation from 2027), the US and Canada.

Looking ahead, several forward-looking scenarios need to be considered. **First**, the EU may expand CBAM beyond industrial goods to cover agricultural products, textiles, or downstream manufactured goods as climate ambition increases toward 2040 and 2050. **Second**, the level of CBAM obligations may rise if the EU accelerates its ETS decarbonisation trajectory, resulting in higher carbon prices being applied to imports. **Third**, the emergence of "CBAM-equivalent" mechanisms in other markets could create multiple compliance regimes, each with different measurement, reporting and verification (MRV) requirements, increasing transaction costs for exporters. These scenarios suggest that Vietnamese firms will not only face more stringent carbon accounting requirements, but also a more complex and fragmented trade environment.

Many Vietnamese producers still lack the capacity to measure, report and verify their Scope 1-3 emissions, and there is limited availability of domestic accredited verifiers. Without swift improvements in corporate reporting, product-level carbon accounting and production-process upgrading, Viet Nam risks losing market share in key export markets.

3. The Role of Economic and Financial Policy

The green transition will not succeed through sectoral or technical interventions alone. It requires a profound re-orientation of the economic and financial system. The Ministry of Finance assumes a pivotal role: stewarding macroeconomic stability, managing public finances, guiding national planning, regulating public investment and FDI, overseeing SOEs, and shaping the legal and institutional framework for financial markets.

This expanded mandate places the Ministry at the centre of Viet Nam's transition to a green, digital and climate-resilient growth model. The implications are profound:

- **Fiscal policy and green budgeting**: Budget allocations, public-investment decisions, tax regimes and subsidy structures must be realigned with Viet Nam's climate and environmental priorities. This includes phasing out environmentally harmful subsidies where feasible, establishing predictable carbon-pricing mechanisms, and integrating climate-risk, resilience and green-transition criteria into the appraisal and prioritisation of all public-investment projects. Fiscal policy must shift from revenue extraction to behaviour-shaping, rewarding low-emission, resource-efficient and innovative economic activity. This also requires a green VAT schedule, accelerated depreciation for green technologies, and the integration of climate screens into all public-investment and procurement decisions.

- **Debt management and climate-aligned borrowing**: Green transition infrastructure will increase financing needs. Public debt and contingent liabilities must therefore be managed prudently, with climate-related investments anchored in a credible medium-term fiscal framework. A diversified borrowing strategy, including sovereign green bonds, sustainability-linked bonds, climate-related development-policy operations, and debt-for-climate or debt-for-nature swaps, can lower financing costs while signalling long-term policy clarity to markets. Climate-fiscal risk assessments should become mandatory in debt-management strategies, reflecting exposure to disasters, stranded-asset risks and climate-transition liabilities.

- **Financial-sector regulation and supervision**: Through its authority over capital-market regulation, taxation of financial instruments and coordination with the State Bank and supervisory agencies, the Ministry can accelerate the uptake of green-finance standards. This includes implementing mandatory sustainability disclosure, developing prudential incentives for green lending, establishing a supervisory technology (SupTech) regime for ESG compliance, and setting the regulatory foundations for green, transition and sustainability-linked instruments.

- **State-owned enterprise (SOE) reform and public-investment governance**: SOEs remain dominant in energy, transport, heavy industry and public-infrastructure development. The Ministry's role in approving investment plans, debt issuance and corporate-governance frameworks is essential to aligning SOE operations with national net-zero pathways and modern ESG standards.

- **National planning, FDI strategy, and industrial policy**: The Ministry must ensure that major national and sectoral plans, including energy, industry, logistics, digital transformation, land-use and regional development, are aligned with green-transition objectives. FDI policy must shift from quantity to quality, prioritising low-carbon, technology-intensive, high-value projects with strong local-content and technology-transfer commitments. Green screening criteria should be integrated into investment approvals, and fiscal incentives should reward low-carbon processes, high local value added, modern ESG standards and participation in green export value chains.

- **Trade competitiveness and green export strategy:** The transition has major implications for trade. Viet Nam must prepare for CBAM, supply-chain carbon disclosure, sustainable-origin requirements and global green-product standards. MoF should lead on a national CBAM-response strategy, green-customs reforms, export-sector support for data and MRV upgrades, and fiscal incentives for low-carbon export manufacturing.

This report therefore provides the Ministry with an integrated view of how the green transition intersects macro-fiscal stability, financial-sector development, public-investment governance, industrial upgrading, FDI attraction and long-term growth dynamics. It identifies a package of priority reforms for the 2026-2030 period, grounded in international experience and Viet Nam's evolving policy context.

4. Strategic Directions and Priority Reforms for 2026-2030

To accelerate Viet Nam's green transition during 2026-2030, this report proposes five priority reform areas. First, Viet Nam should establish a high-level governance mechanism—such as a Prime Minister-led National Green Transition Council—to resolve cross-sector coordination bottlenecks, align planning systems, and anchor medium-term transition targets. Second, the revision of the Investment Law should be used to embed green-transition criteria into investment selection and fiscal incentives, ensuring that priority projects receive predictable, long-term policy signals. Third, the Ministry of Finance, working with line ministries, should complete and operationalise the national green-finance architecture, including the green taxonomy, sustainable-finance standards and catalytic financing instruments. Fourth, Viet Nam needs to build a credible carbon-pricing and carbon-market regime, with transparent MRV systems, clear allocation and auctioning rules, and ring-fencing of carbon revenues for strategic programmes such as 500 kV grid upgrades, just-transition support and clean-technology R&D. Finally, the government should invest in modern data systems, green-technology innovation, and human-capital development to equip the economy for a low-carbon future. These reforms form an integrated package designed to strengthen macro-planning, crowd in private capital and enhance Viet Nam's resilience and competitiveness in a rapidly changing global landscape.

4.1 Establish a high-level governance mechanism for the green transition

To overcome fragmentation and ensure coherence across planning, fiscal, regulatory and industrial strategies, Viet Nam should establish a Prime Minister-led National Green Transition Council, supported by a technical secretariat with independent analytical capacity.

The Ministry of Finance should act as a principal vice-chair, ensuring that macroeconomic, fiscal, financial-stability and public-investment considerations are embedded in transition planning. Key functions include:

- setting legally anchored medium-term transition targets;
- resolving cross-sector conflicts (energy vs. land, industry vs. environment);

- coordinating climate-finance mobilisation;
- ensure alignment of all regional, sectoral, and provincial master plans with national climate objectives;
- screen all major public-investment projects for climate alignment before approval; and
- monitoring whole-of-government implementation.

International analogues include the UK's Climate Change Committee, Korea's Presidential Committee on Carbon Neutrality and France's High Council on Climate.

4.2 Integrate green objectives into the Investment Law and fiscal-incentive framework

The ongoing revision of the Investment Law and its guiding decrees offers a critical opportunity to embed green-transition criteria into Viet Nam's investment regime. The Ministry should use the reform window to:

- Prioritise investment projects that advance strategic green-transition goals. This includes projects that demonstrate low carbon intensity (e.g., ≤ 50% of the sectoral average), high local value added (e.g., ≥ 40% by year five), verifiable technology-transfer and R&D commitments, alignment with Viet Nam's green taxonomy and Do No Significant Harm criteria, and mandatory transition plans for large emitters before project approval.
- Link tax and land-use incentives to measurable performance in emissions reduction, resource efficiency and local content. Incentives should be conditional on MRV-verified emissions reduction, resource efficiency, circular-economy adoption and domestic supply-chain integration.
- Clarify long-term, predictable incentive regimes for renewables, grids and storage. International experience shows that predictable multi-year regimes, such as Contracts for Difference (UK) or long-term auction programmes (Chile), dramatically reduce financing costs. In Viet Nam, the design of such regimes typically falls under the mandate of line ministries, particularly the Ministry of Industry and Trade (MOIT), while the Ministry of Finance (MOF) reviews fiscal implications, pricing structures and potential contingent liabilities before final approval. Strengthening Viet Nam's auction design and PPA frameworks therefore requires clearer inter-ministerial coordination and a well-defined division of responsibilities.
- Strengthen the coherence of national macro-planning by ensuring that provincial Socio-Economic Development Plans, sector-specific development plans, and regional master plans are fully aligned with Viet Nam's climate-transition pathways and long-term green-industrial development priorities.

MoF's leadership is vital in designing incentive schemes that are fiscally sustainable, transparent and compatible with international commitments.

4.3 Complete and operationalise the green-finance architecture

The Ministry of Finance is one of the key actors in orchestrating Viet Nam's green-finance ecosystem, working alongside line ministries and regulatory agencies to shape the overall policy, fiscal and market architecture. Priority actions for the period 2026-2030 include:

- Fully operationalise the national green taxonomy issued by the Prime Minister under the Decision 21/2025/QD-TTg. This requires MOF in coordination with MAE and SBV to issue detailed technical screening criteria, DNSH safeguards, mandatory application guidelines for financial institutions, SOEs and private enterprises, mandatory reporting templates integrated with MoF's green-budgeting system, and harmonisation with ASEAN, EU and ICMA standards.

- Develop a coherent framework for green, social, sustainability and sustainability-linked bonds, including tax treatment, disclosure requirements and verification standards, and sovereign green bond issuance to create a benchmark yield curve for ASEAN markets.

- Establish catalytic instruments such as a Viet Nam Green Investment Facility, a national green-credit guarantee scheme for SMEs and renewable energy developers, transition-finance windows for hard-to-abate sectors, and a Green Infrastructure Viability Gap Fund for PPPs.

- Phase in International Sustainability Standards Board-aligned climate and sustainability disclosure for listed companies, major SOEs and financial institutions, starting with the largest entities.

These reforms will deepen capital markets, reduce borrowing costs and position Viet Nam to leverage international climate-finance flows more effectively.

4.4 Build a robust carbon-pricing and carbon-market regime

The pilot carbon market should be launched on a sound legal and technical footing, with a transparent, digital registry and MRV system, clear allocation and auctioning rules for emissions allowances, provisions for linking with international markets where appropriate, and mechanisms to channel carbon revenues into just-transition measures and strategic green investments.

MoF's role will be central in establishing the carbon-trade exchange platform, integrating carbon-market revenues into the state budget, managing fiscal risks, and ring-fencing carbon proceeds for high-priority government programmes-such as 500 kV grid upgrades, strategic power-generation projects, just-transition measures, and research and development. The Ministry must also ensure that the carbon-market framework is coherent with other taxes, fees and regulatory charges across the fiscal system.

4.5 Invest in technology, data and human capital for the green economy

The report recommends:

- A national programme to modernise data infrastructure for energy, emissions, climate risks and green finance;
- A unified green-project database linked to the public-investment management system, with full interoperability across ministries and provinces;
- Targeted support for research, development and innovation in green technologies, including through tax incentives for R&D, public-private innovation funds, and the creation of specialised energy-innovation centres linked to universities and industry; and
- A comprehensive green-skills strategy spanning vocational training, higher education and continuous learning, with clear targets for training engineers, technicians, financial analysts and policymakers in green competencies.

5. Conclusion

Viet Nam's green transition is now the defining strategic challenge and opportunity of the 2026-2030 period. Decisions on fiscal policy, planning, financial regulation, public investment, SOE governance and FDI frameworks will determine whether the country can convert its net-zero commitments into a new model of green, competitive and resilient growth.

For the Ministry of Finance, the green transition is not an external constraint but a strategic agenda that intersects directly with macro-fiscal stability, sovereign creditworthiness, growth quality and resilience to shocks. By leading on green-fiscal reform, climate-aligned borrowing, green-finance ecosystem development and the integration of climate risks into economic decision-making, MoF can help ensure that Viet Nam's green transition strengthens, rather than weakens, the foundations of long-term prosperity.

This report is offered to the Ministry of Finance as a technical and strategic contribution to that endeavour: to help shape a coherent economic and financial vision for 2026-2030 in which the green transition is recognised not as a cost, but as Viet Nam's next engine of development.