ENERGY TRANSITION PARTNERSHIP

Milestone 11:

VIETNAM'S GREEN TRANSITION IN THE NEW CONTEXT: ECONOMIC AND FINANCIAL PRIORITIES FOR 2026 - 2030

UNOPS

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Department of Climate Change, Energy, the Environment and Water

CIFF CHILDREN'S INVESTMENT FUND FOUNDATION

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Vietnam’s Green Transition in the New Context: Economic and Financial Priorities for 2026 - 2030

NOVEMBER 2025

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1. EXCECUTIVE SUMMARY

Viet Nam is at a critical phase, committed to a green, resilient, and competitive development pathway.

- Dual challenges: Avoid middle-income, high-carbon trap.
- Opportunities to position as a regional hub for green manufacturing, green services and sustainable finance.

Key Challenges & Opportunities for Vietnam

Carbon-Intensive Energy

Coal dominates primary energy and electricity generation.

Strategic Opportunities

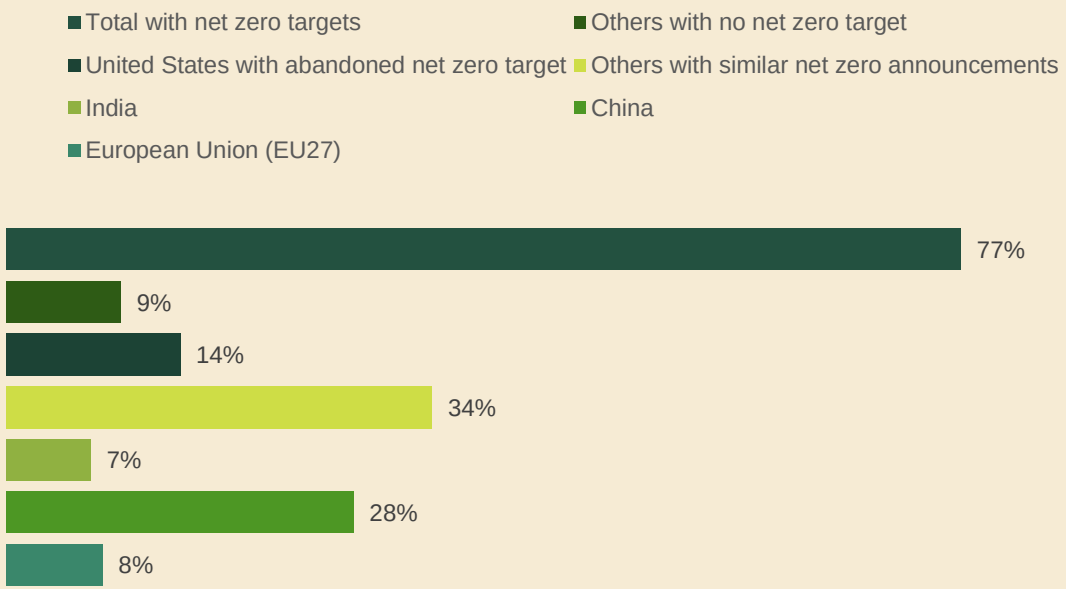
Access to Climate finance (JETP, GCF, GEF, CIF, ADB, WB), domestic carbon market, “China+1” strategy, emerging green finance

Challenges

Hundreds of billions USD by 2040 (6.8% GDP per year) for net-zero and climate resilience, institutional and legal framework, incomplete green-finance architecture, technology, human capital, trade-related climate risks

The Ministry of Finance plays a decisive role in steering this transition through fiscal policy, public investment, FDI strategy and financial-sector development.

2. Global Trends in Green Transformation



As of November 2025, 148 countries have announced or are considering net-zero targets, reflecting heightened urgency due to escalating climate impacts like record heatwaves and extreme weather events in 2024–2025.

Major Economies & Green Commitments

1

European Union

Committed to becoming the world's first carbon-neutral continent by 2050.

2

China

Aims to peak emissions before 2030 and achieve net zero by 2060.

3

United States

Pledged net zero by 2050, though policy continuity depends on administratio

4

Pioneering Nations

UK, France, Japan, and New Zealand have specific targets for net zero by 20

Approaches to Green Transformation

Narrow Sense: Green Growth

Aligns with green growth, prioritizing economic and technical dimensions: efficient resource use, emission reductions, and clean technology innovation to sustain growth while curbing environmental harm.

Broader Sense: Holistic Socio-Economic Shift

Sustainable development, extending beyond environmental and economic goals to encompass social equity, job transitions, and climate adaptation.

Climate Mitigation Policies

Climate mitigation policies encompass measures, technologies, and socio-economic instruments to reduce greenhouse gas emissions. 70% of global climate finance targets mitigation.

Energy Transition

Carbon-neutral power sectors via renewable expansion, coal phase-outs, and energy efficiency. Global renewable capacity additions hit a record in 2024.

Carbon Pricing & Trading

73 operational carbon pricing mechanisms worldwide. The EU ETS and China's ETS are key examples.

Tech Innovation & Industrial Transformation

Low-emission technologies like green hydrogen, energy storage, and CCUS.

Land-Use Management

Policies emphasize REDD+, low-carbon agriculture, and wetland preservation.

Climate Adaptation Policies

Climate adaptation policies focus on minimizing damages and building resilience, though adaptation finance constitutes under 10% of total climate funding.

Resilient Infrastructure

Over 70% of OECD members embed climate factors in infrastructure and urban planning, including flood-resistant drainage and green spaces.

Early Warning Systems

Effective EWS cut disaster losses by 30-50%. Investments in climate data and risk insurance are rising, with examples from Japan, South Korea, and Bangladesh.

Community & Ecosystem Capacity

Supporting vulnerable communities and conserving natural ecosystems like mangroves and coral reefs are cost-effective nature-based adaptation solutions.

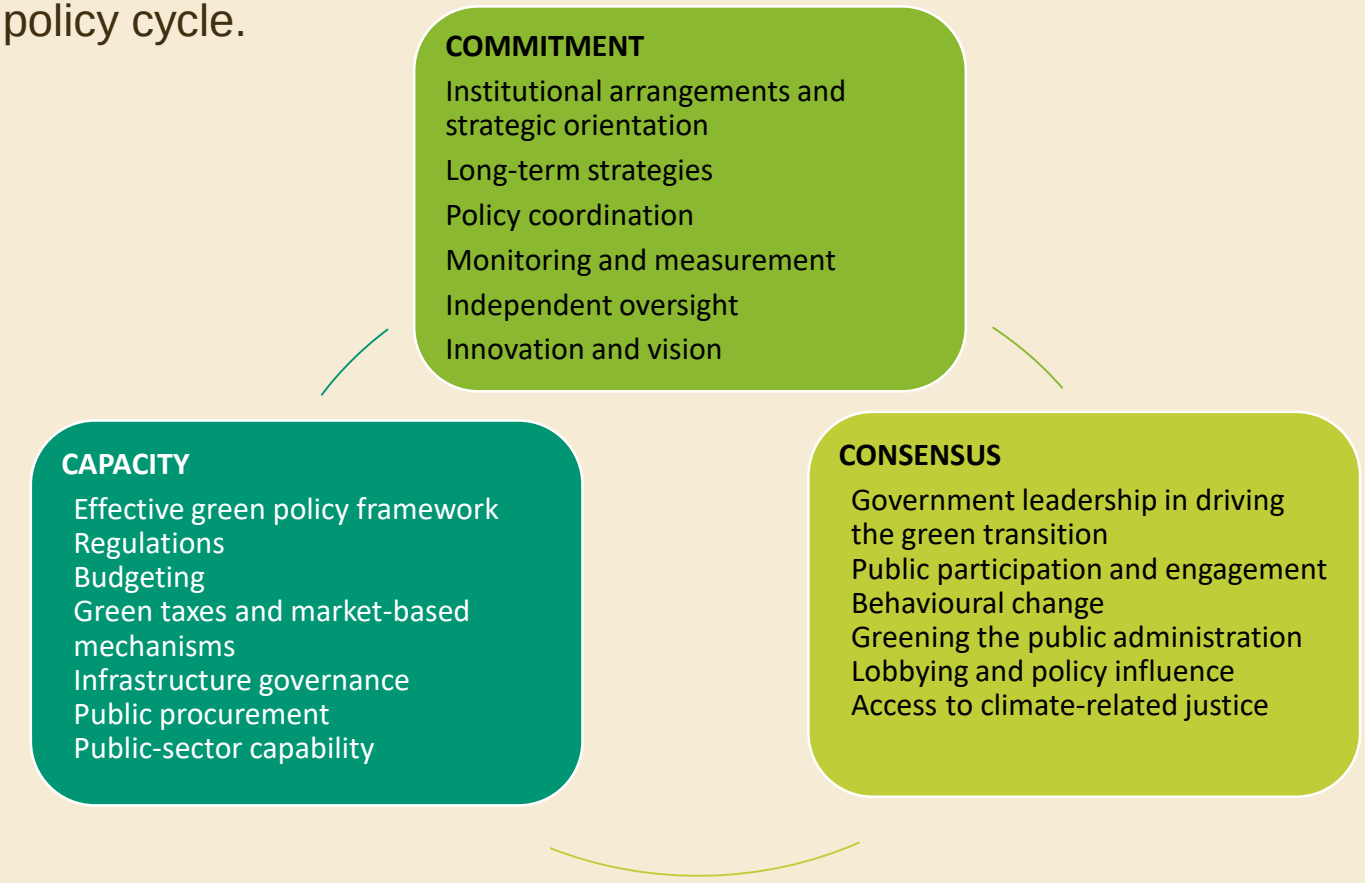
Legalization of Net-Zero Targets

Countries are moving from high-level pledges to legally binding net-zero commitments

Country / Region	Name of Law / Year Enacted	Main Legal Target	Institutional and Monitoring Mechanism	Distinctive Features and Significance
United Kingdom	Climate Change Act (2008, amended 2019 and 2024)	Net Zero by 2050; 100 % reduction vs 1990 baseline	Climate Change Committee (CCC) – independent advisory body reporting directly to Parliament	First country to legislate net-zero; establishes statutory five-year carbon budgets and mandatory reporting.
France	Loi Énergie-Climat (2019)	Carbon neutrality by 2050; 40 % GHG reduction by 2030	Haut Conseil pour le Climat – independent council under the Prime Minister's Office	Embeds climate objectives into energy, industrial, and public finance planning; mandates public progress reporting
New Zealand	Climate Change Response (Zero Carbon) Amendment Act (2019)	Net Zero by 2050 (excluding biogenic methane from agriculture)	Climate Change Commission – independent advisory body to government	Combines mitigation and adaptation in one law; separate legal target for agricultural methane
Germany	Federal Climate Protection Act (2019, amended 2021 and 2025)	65 % reduction by 2030; Net Zero by 2045	Expert Council on Climate Issues (ERK); Federal Environment Ministry oversees monitoring	Establishes sectoral emissions budgets (energy, transport, industry); enforcement mechanism for missing targets. Introduced binding sanctions for sectors that breach budgets.
Canada	Canadian Net-Zero Emissions Accountability Act (2021)	Net Zero by 2050; interim targets for 2030, 2035, 2040	Independent monitoring body and National Advisory Committee on Climate Science	Requires progress reports every two years and five-year plans; legal consequences for non-achievement
European Union	European Climate Law (2021)	Climate neutrality for the bloc by 2050; 55 % GHG reduction by 2030 (new 2040 target of –90 % adopted October 2025)	European Commission oversees; "Fit for 55" (now "Fit for 90") package	Legally binding on all 27 Member States; cross-border monitoring and integration into green finance policy
South Korea	Framework Act on Carbon Neutrality and Green	Net Zero by 2050; 40 % reduction by 2030 (vs 2018)	Presidential Commission on Carbon Neutrality and Green Growth	Single law integrating finance, energy, industry, and technology-innovation

Perfecting Governance for Green Transition

Effective green transition demands purposeful policy coordination, robust institutions, and societal consensus. Governance aims for a strong, adaptive, and outcome-oriented public administration. This framework helps countries build strong, consistent, and effective public-governance mechanisms, embedding climate objectives throughout the entire policy cycle.



Climate Finance

1. **Public Green Finance**

National budgets account for 80 % of global public climate capital. CPI (2025) estimates that every USD 1 of budgetary “seed” capital leverages an average USD 7 from private sources

2. **Private source of finance**

Private finance is increasingly a central pillar, particularly on the mitigation side. The growth rate of private climate finance far outpaces that of the public sector.

3. **Green financial market**

Green bond, Green Credit, Green Insurance and Disaster- and Climate-Risk Insurance Products, Transition Finance and Multi-Functional Nature-Based Assets.

4. **Blended finance**

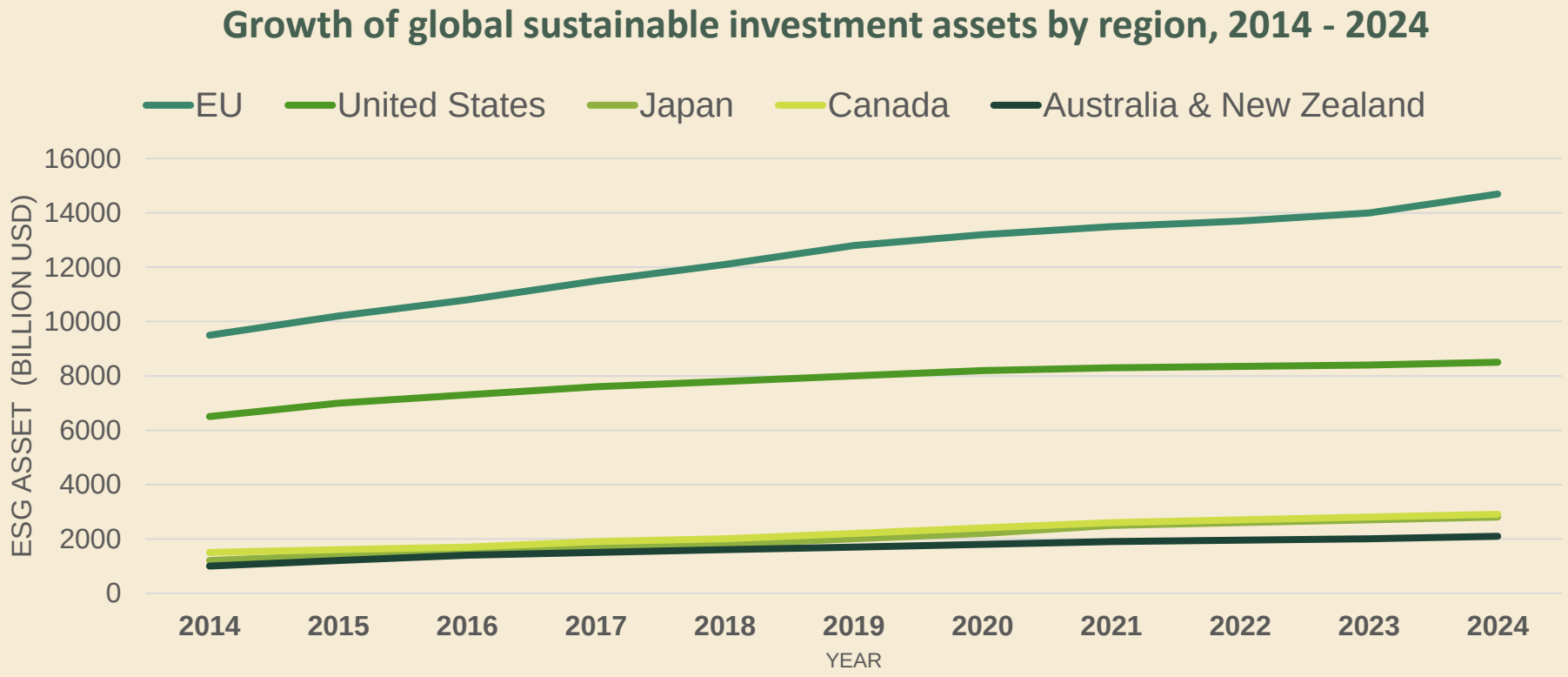
Blended finance is emerging as a central mechanism for mobilising resources for sustainable development, particularly as emerging markets and developing economies (EMDEs) .

5. **Carbon pricing mechanisms**

6. **Other innovative initiatives**

ESG Investment

According to the Global Sustainable Investment Alliance (GSIA, 2024 review) , sustainable investment assets reached USD 35.1 trillion by end of 2024. Bloomberg Intelligence (November 2025) forecasting that ESG assets under management will exceed USD 53 trillion by 2030, representing approximately one-third of projected global AUM.



Source: Authors' visualization based on GSIA (2024) and Bloomberg Intelligence (2025)

Key lessons for Vietnam

Strengthen governance foundations	• Build a strong central institution for national climate coordination • Establish a stable, binding and long-term climate-legal framework • Strengthen independent monitoring, transparency and accountability • Promote horizontal and vertical coordination across the state and with social partners. • Climate governance must be paired with macroeconomic and fiscal governance
Designing an integrated strategy that balances mitigation, adaptation, and climate finance	• Build an integrated strategy that balances mitigation and adaptation • Promote mitigation through technology and markets • Shift climate adaptation from reactive response to proactive risk management • Ensure a just transition and social cohesion in mitigation and adaptation
Promoting green trade and low-carbon value chains as new growth engines	• Treat sustainable export value chains as a core pillar of green trade • Use technical regulations and green standards • Green trade requires a supportive fiscal–financial architecture.
Building a multi-layered green-finance system and testing innovative instruments	• Reinforce the leading role of the state and create a coherent set of green-finance instruments to crowd in private capital • Develop green-transition investment funds and mobilise medium and long-term finance • Introduce carbon pricing and develop carbon markets
Ensure a Just and Inclusive Transition	• Design support mechanisms for workers in fossil-fuel sectors • Protect vulnerable groups through targeted support • Invest in green infrastructure and public services

3. Positioning Viet Nam within the global green transition

Ambitious Commitments

COP26: Net Zero by 2050

A pioneering commitment, positioning Viet Nam as a leader among Asian nations.

Paris Agreement

Committed to greenhouse gas emission reduction, climate adaptation, and climate finance.

JETP

Accelerating clean energy transition with a substantial $15.5B support package.

Updated NDCs

Reflecting significantly elevated national targets for emission reduction.

A Coherent Framework for a Green Future

Strategic Directives

- National Green Growth Strategy (2021-2030) with vision to 2050
- National Climate Change Strategy to 2050
- National Energy Strategy
- National Green Growth Action Plan (2021-2030)
- Sustainable Private-Sector Support (2022-2025)

Legal Foundations

- **Law on Environmental Protection (2020)**: Focuses on circular economy principles, establishes a carbon market framework, and promotes clean technologies.
- **Land Law (Amended 2024)**: Integrates climate considerations into land-use planning and emphasizes ecological conservation.
- **Amended Electricity Law (2024):** Prioritizes Direct Power Purchase Agreements (DPPA) and renewable energy development.
- **Law on Economical and Efficient Use of Energy (Amended 2025)**: Establishes energy efficiency standards and provides incentives for sustainable energy use.
- **Decision No. 876/QD-TTg**: Directs the development of a green transport system.
- **Decision 21/2025/QĐ-TTg**: Establishes environmental criteria and certification of investment projects under the green taxonomy[.

Enhancing Green Competitiveness

Viet Nam strategically leverages robust adherence to Environmental, Social, and Governance (ESG) standards, thereby securing significant economic advantages.

Global Sustainable Competitiveness Index (2023–2024)

- Ranked 38th globally, second within ASEAN.
- Key Strengths: Intellectual Capital, Social Capital, Economic Sustainability.
- Persistent Challenges: Resource Efficiency, Natural Capital.

Sub-national Initiatives

- Provincial Competitiveness Index (PCI): Fosters a transparent business environment.
- Provincial Green Index (PGI): Drives environmental governance and green practices.

Investment & Finance

Achieving a net-zero pathway by 2040 necessitates an estimated $368 billion in investment (6.8% GDP per year).

Green Public Investment

Public funds serve as crucial "seed capital," driving development in energy and infrastructure sectors but still remain heavily dependent on foreign concessional finance. There is no “climate bank”, strong national green fund.

Growing Private Capital

Still very modest relative to the substantial needs of the transition. Private investors remain cautious about high risks related to technology, markets and pricing mechanisms, long payback periods,, limited availability of incentives, risk-sharing instruments or cost-sharing schemes from the State.

Blended Finance via JETP

The Just Energy Transition Partnership (JETP) commits $15.5 billion to accelerate the energy transition.

Surging Foreign Direct Investment (FDI)

FDI inflows are expanding, particularly targeting renewable energy and other green sectors. Vietnam plans to attract annual FDI disbursements of around 20–30 billion USD in 2026–2030 and 30–40 billion USD per year in 2031–2040.

Green Fiscal Policies

Including the environmental protection tax, tax incentives for renewable energy and public investment for climate adaptation. However, state capital investment for climate-related projects, primarily adaptation, is around 1.5% of GDP, while spending on disaster prevention and response is about 0.3% of GDP (CCDR, 2022).

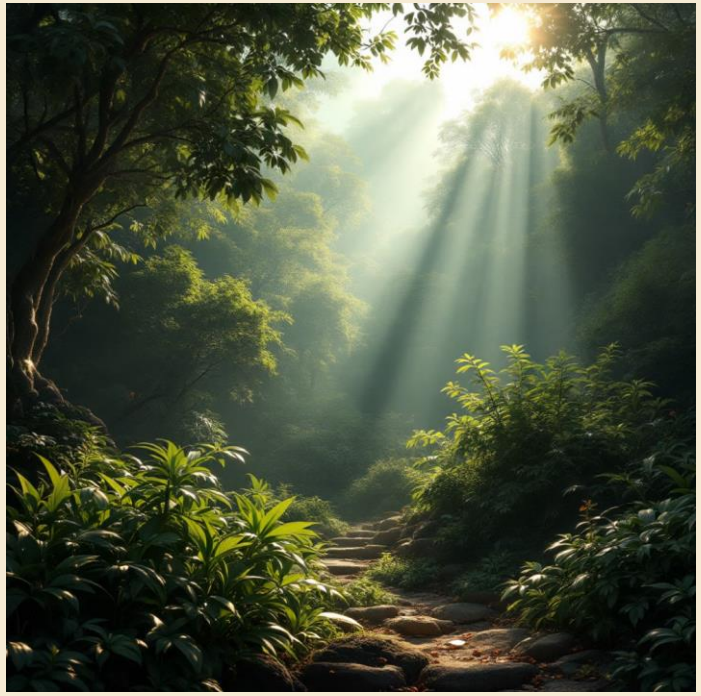
Evolving Green Financial Policies

The financial landscape is seeing the emergence of green credit, Green, Social, and Sustainability (GSS) bonds, and ESG-focused equities.

Positioning Vietnam in Green Value Chains

Geoeconomic Advantages

- Strategic maritime gateways and deep-sea ports
- Proximity to major manufacturing hubs
- Extensive free trade agreements



Natural Advantages

- Over 40% forest cover, serving as strong carbon sinks
- Exceptional renewable energy potential (solar, wind)
- High biodiversity, presenting significant bio-economy opportunities

Social & Human Capital

- Rising consumer demand for green products
- Evolving digital economy supporting advanced logistics and traceabi
- Robust human resources with strong skilled workforce potential

Opportunites

Financial opportunities	Technological transfer and capacity building	Market and green value-chain
• Access to international finance • Mobilisation of private investment	• Technology transfer and clean-energy supply chain development • Capacity building and skills enhancement	• Upgrading position in global value chains • Emerging green sectors and services • Synergies with “China+1” supply-chain relocation

Challenges

1

Green Finance Deficiencies

Fragmented frameworks, insufficient legal foundations for green finance and green budgeting, underdeveloped capital markets, limited development of green credit and risk-sharing mechanisms, the immaturity of MRV systems for carbon and green finance impede green financing initiatives.

2

Value Chain Transformation Hurdles

Current reliance on low value-added stages and the increasing complexities of trade risks, such as CBAM, present significant challenges.

3

Technology and Data Gaps

Limited deployment capacity for clean technologies and disparate, fragmented data systems hinder progress and efficiency.

4

Human Capital Shortfalls

Persistent skills shortages and critical training gaps within key green economy sectors limit growth and innovation.

4. Viet Nam's Green Transition: Policy & Economic Recommendations

Strategic Orientation for Green Transition

Core Pillar Integration

Green transition must be a foundational pillar of Viet Nam's national development, integrating climate objectives into all strategies and plans.

Economic Structure Greening

Shift from low-value assembly to high-tech, low-emission manufacturing and ecological agriculture.

Strengthened Governance

Consolidate legal frameworks and establish a central coordination body for climate and green growth. Integrate green transition with digital transformation and innovation.

Just & Inclusive Transition

Design comprehensive programs for workers in high-emission industries, protecting vulnerable groups. Linking green-investment policy with just transition requirements and the carbon market

Improving Governance for Green Transition

01

Coherent Institutional Architecture

Establish a high-level, cross-sectoral body to unify policy direction and ensure consistency.

02

Integrate Objectives into Planning

Incorporate green-transition goals into national, regional, and provincial development strategies and budgets.

03

Enhance Coordination & Participation

Institutionalize inter-ministerial coordination and foster private sector engagement through dialogue forums.

04

Strengthen Legal Framework

Complete the national green-taxonomy system, adopt sustainability-reporting standards (ISSB/TCFD),

05

Green - transition training

Train leaders and high-level officials on strategic thinking and decision making that integrates EGS and climate-change considerations. Train technical officials need training in green financial techniques.

06

Financial–Climate Data Systems

Establish a national database on climate-related expenditure, revenue and debt; an unified MRV system

Mobilizing Financial Resources: Fiscal Policy

1 **Increase Climate Public Expenditure**

Aim for 2.5–3% of GDP by 2030, with a focus on dual-benefit adaptation and mitigation projects.

2 **Green Budgeting Framework**

Institutionalize green-tagging, integrate climate targets into expenditure frameworks, and launch a public Green Budget Dashboard.

3 **Stimulate Private Capital**

Allocate 30% of new public investment to green-labeled projects, using co-financing models to mobilize private capital.

4 **Tax System Restructuring**

Shift to performance-based tax incentives and establish a roadmap for adjusting environmental fees for high-carbon products.

Developing Green Financial Markets

Green Bonds & Credit

Promote green bonds, green credit, and sustainable investment funds with unified frameworks and transparent reporting.

Transition Bond Framework

Develop transition bonds for emissions-intensive sectors, requiring clear emissions-reduction roadmaps and independent verification.

Green Financial Rating & ESG

Establish a transparent Green Financial Rating System and national ESG database with SupTech/RegTech for compliance monitoring.

Innovative Instruments

Leverage Debt-for-Nature Swaps, Blended Finance, and ESG-linked reward mechanisms to attract capital.

Carbon Market & Investment Attraction

1

Domestic Carbon Market

Establish a domestic carbon market with pilot operations from 2025–2028 and full operation from 2029.

2

Attract Green FDI

Enhance policy stability and predictability to attract high-quality green FDI, linking incentives to technology and carbon intensity.

3

Financial Ecosystem Support

Build a national green taxonomy, green bonds, infrastructure funds to support green capital flows.

4

Green De-Risking Window

Establish a Green De-risking Window within existing public financial institutions for energy and grid projects.


THANKS FOR YOUR ATTENTION