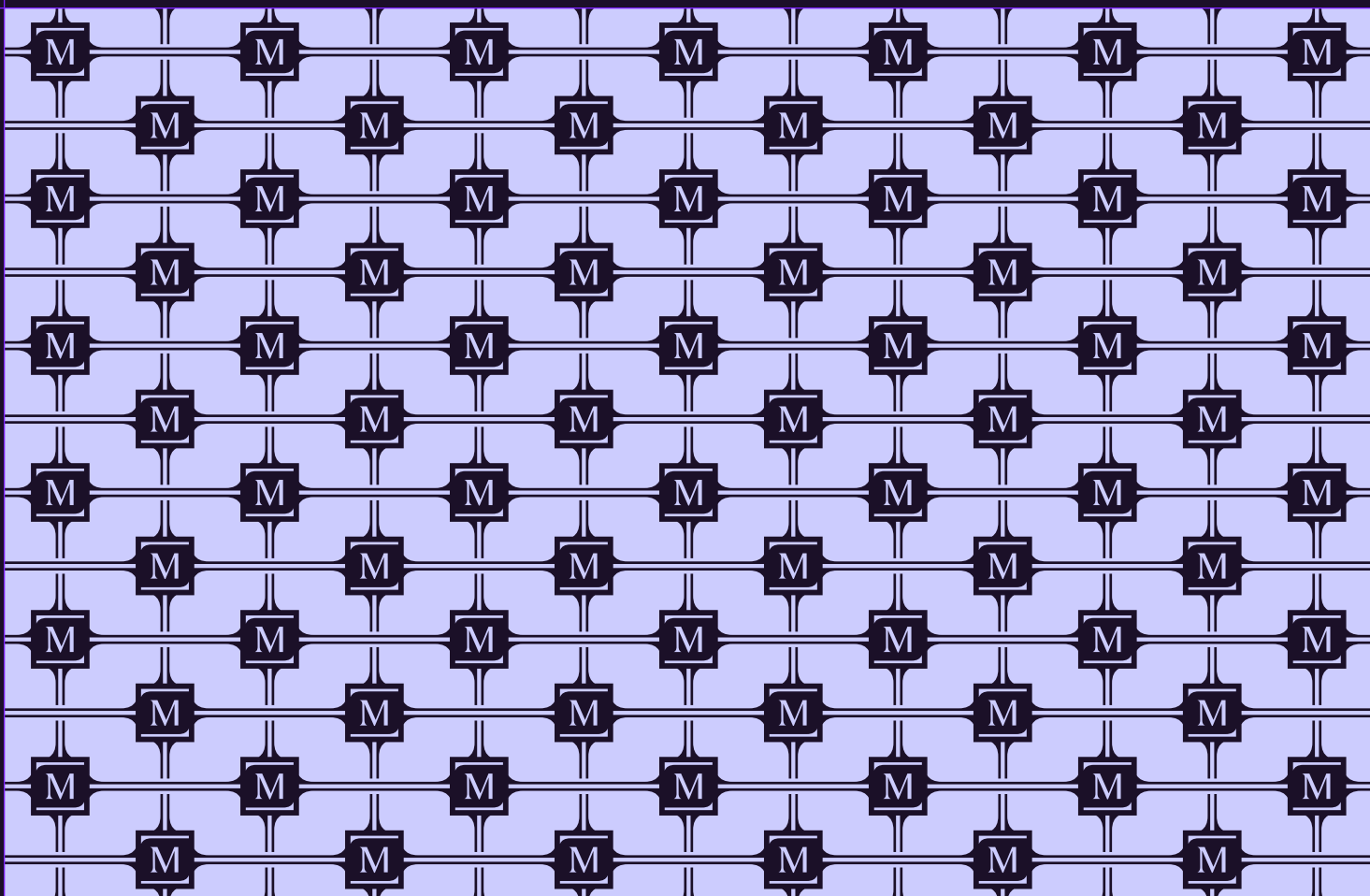
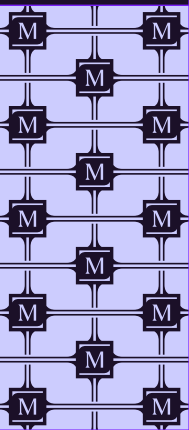


# Navigating Net Zero

APAC Climate Guide - Vietnam

MAY 2026

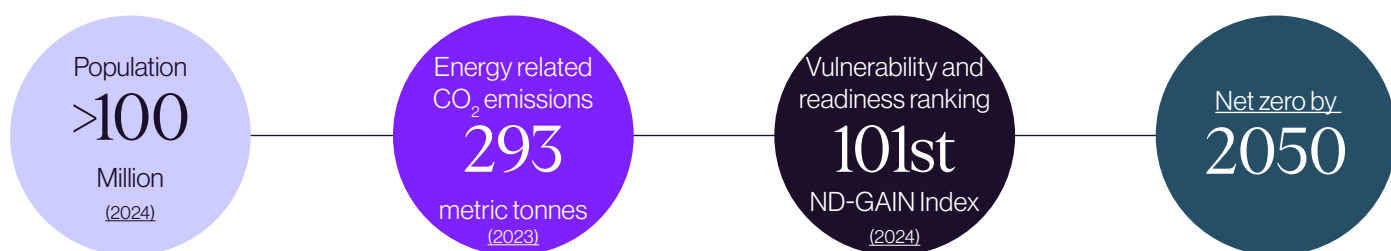




# Vietnam

## Country Snapshot

### CLIMATE LANDSCAPE, OPPORTUNITIES AND CHALLENGES



Vietnam is among Southeast Asia's [fastest growing markets](#). Through a combination of economic reforms and favourable global trends – including trade liberalisation, shifting supply chains and growing foreign investment - Vietnam transformed from a low-income economy to a dynamic middle-income nation within a single generation. Foreign direct investment has fluctuated (accounting for [4.2% of GDP](#) in 2024), but Vietnam's GDP ([US\\$476.39 billion](#) in 2024) and population have all grown over the past two decades.

While Vietnam's share of annual global emissions is only [0.84%](#) (2022), the nation and its people are disproportionately impacted by climate change. Vietnam's low-lying coastal and river delta regions are [particularly vulnerable](#) to rising sea levels and floods brought on by typhoons. This flooding is projected to displace millions of people, jeopardise ecosystem health and cause significant losses in agricultural productivity. In 2024 the devastating impact of Typhoon Yagi, dubbed '[Asia's Latest Climate Change-Fuelled Disaster](#)', cost Vietnam roughly [US\\$3.31 billion](#).

Vietnam has set a net zero target for 2050 (with aggressive interim targets) and has committed to climate action as a central pillar of its development strategy. Recent reforms show real intent: stricter environmental laws, robust ESG disclosure for listed firms and new frameworks for green finance and a domestic carbon market. The government's revised Power Development Plan (**PDP8**) and recently enacted Electricity Law of 2024 (**Electricity Law**) have started to reshape Vietnam's energy sector, laying the groundwork for a serious move away from coal and towards renewables and grid modernisation.

*These changes matter for business. ESG performance remains important for many global investors and trading partners. Reflecting this, Southeast Asian economies continue to develop taxonomies and policies that provide greater investment certainty and incentives. For investors, Vietnam's shift towards sustainable finance and carbon pricing, and its revised energy policy, is opening opportunities in renewables, green infrastructure and climate-smart agriculture.*



Michael Lawson  
Mallesons Partner

Without appropriate adaptation and mitigation measures, climate change could cost Vietnam an estimated [12% to 14.5% of GDP annually by 2050](#). Such measures, combined with the international community's decarbonisation efforts, are critical to minimise the impacts of climate change.

Vietnam's transition will face hurdles, including regulatory complexity, skills shortages and the need for policy clarity. But momentum is building. With clearer direction from government, growing investor interest, and a focus on practical reforms, Vietnam is positioned to unlock the benefits of a low-carbon and sustainable economy.

In our latest APAC Climate Guide, we explore:

- the top five investment opportunities and challenges
- carbon market development and green financing
- the energy transition in light of the revised PDP8 and Electricity Law, and
- the implications that these new legislative instruments have for Vietnam's growing energy demand, in part driven by the rapid development of data centres and digital infrastructure.

***Read on for more – and reach out to your Mallesons contact.***



# Investment opportunities and challenges

## OUR TOP 5



01

Technology and Digital Infrastructure



02

Manufacturing



03

Infrastructure and Urbanisation



04

Energy Transition



05

Agriculture

	01	02	03	04	05
Opportunities	<p>Local and international players investing in new <b>data centres</b></p> <p><b>Mobile</b> penetration is high, with significant room for growth in <b>5G infrastructure</b></p> <p><b>E-Commerce platforms and digital payments</b> are booming</p>	<p>Strategic hub for <b>manufacturing and exports</b></p> <p>Beneficiary of <b>China+1</b> strategy as companies diversify supply chains</p> <p>Growth sectors include electronics, electrical equipment, textiles, garments, footwear, semiconductors, EV supply chains, wood products</p>	<p><b>Construction boom</b> (housing, commercial properties, urban infrastructure)</p> <p>Several <b>smart cities</b> pilots, focusing on intelligent transport and energy management</p> <p>Surging demand for <b>green buildings</b>, energy-efficient products and sustainable urban planning</p>	<p><b>PDP8</b> recognises Vietnam's increasing energy demand, green energy shift and grid upgrade needs</p> <p><b>Natural advantages</b> for renewable energy, particularly solar and wind (onshore and offshore)</p> <p>Vietnam's <b>Electricity Law</b> and implementing regulations bring renewable energy incentives</p>	<p><b>High-value crops and premium products</b> (organic rice, specialty coffee, tropical fruit)</p> <p><b>Incentives</b> (preferential tax rates, land leasing rights for foreign invested companies, subsidies)</p> <p><b>Climate-smart</b> (soil carbon sequestration, agroforestry, climate-resilient crops)</p>
Challenges	<p><b>High energy needs</b> bring climate concerns</p> <p>Rapidly evolving regulations can be <b>difficult to navigate</b></p> <p><b>Feed-in-tariff uncertainty</b> hurts data centre growth</p> <p>Many rural areas lack reliable <b>connectivity</b>, modern telco networks, stable power</p>	<p>Complex, sometimes <b>inconsistent regulations</b>; permitting and licencing can be slow</p> <p>Stricter <b>environmental regulations</b> and pressure to adopt sustainable practices</p> <p><b>Energy, logistics, water</b> bottlenecks</p> <p><b>US tariff</b> and origin-compliance</p>	<p>Long-term <b>affordable financing</b> (particularly for large-scale and green infrastructure)</p> <p><b>Land acquisition, licencing and local standards compliance</b> for foreign investors</p> <p><b>Skilled labour shortages</b>, particularly in high-tech engineering and construction</p>	<p>Bankability hurt by <b>regulatory uncertainty</b> (eg feed-in-tariff, PPA schemes)</p> <p><b>Multifaceted approval process</b> for projects</p> <p>Renewables expanding <b>faster than grid</b>, curtailing projects</p> <p>Repurposing <b>coal</b> plants and transitioning workers</p>	<p>Droughts, floods, saltwater damaging crops and arable land</p> <p>Foreign investors <b>can only lease</b>, often partnering with Vietnamese entities</p> <p>Foreign investment approval requires <b>environmental, political and national security considerations</b></p> <p><b>Workforce shrinking and aging</b>; many lack technical skills</p>

# The evolving regulatory and corporate landscape

The Vietnamese government has made climate change a central pillar of its development strategy, recognising the country's acute vulnerability to climate impacts and increasing GHG emissions. This is formalised in the [National Strategy for Climate Change Until 2050](#) and reinforced through policies like carbon pricing and participation in international initiatives such as the [Just Energy Transition Partnership \(JETP\)](#), which mobilises significant international finance to support Vietnam's green transition.



## INTERNATIONAL STANDARDS ARE SHAPING GOVERNANCE

The adoption of climate principles and broader ESG standards is shaping corporate governance in Vietnam. As global investors and trade partners demand higher sustainability standards, Vietnamese companies are under growing pressure to align their governance frameworks with international climate and ESG expectations.

A regulatory evolution is driving companies to re-evaluate governance structures and prioritise transparency, ethical business conduct and sustainability reporting.

- The [National Green Growth Strategy \(2021-2030\)](#) aims to reduce GHG emissions, promote sustainable energy and enhance environmental protection.
- **Circular No. 96/2020/TT-BTC of the Ministry of Finance** requires public companies and companies with listed or publicly offered bonds to **disclose ESG-related practices** in their annual reports, including disclosures on greenhouse gas emissions, use of recycled materials, water and energy consumption, compliance with environmental protection regulations, employee-related policies, contributions to local communities, and green capital market activities.



## OPENING TO FOREIGN INVESTMENT

Vietnam's commitment to climate action and ESG integration is making the country more attractive to international investors, especially those with sustainability mandates. This is seen as reducing long-term investment risks and opening new opportunities in sectors such as renewable energy, green infrastructure and sustainable manufacturing.

Tax breaks, preferential loans and land use incentives for green projects, as well as the piloting of a domestic carbon market, are designed to channel investment into climate-aligned sectors. The government is also encouraging private sector participation in large-scale infrastructure and energy projects, with frameworks like direct PPAs enabling corporate buyers to source renewable energy directly.

The transition to a green economy is still in its early stages. Regulatory clarity, especially around carbon markets, direct PPAs and ESG disclosure, needs further strengthening to bolster investor confidence. However, the direction of travel is clear, and ongoing reforms are expected to further integrate climate principles into corporate governance and investment decisions.

# Key reforms



## Sectoral decarbonisation targets

Vietnam's 'National Strategy for Climate Change Until 2050' (2022) sets specific targets and prioritises clean energy, energy efficiency and novel technologies. It also mobilises financial resources to support climate adaptation<sup>1</sup>.



## Tougher environmental rules and a domestic carbon market

The Law on Environmental Protection (2020), which came into effect on 1 January 2022, introduced stricter requirements for environmental impact assessments, GHG inventories<sup>2</sup> and mandates for GHG emitters to develop and implement emission reduction plans. The law also allows for a domestic carbon market. The Extended Producer Responsibility Policy was introduced under this law and its guiding regulations<sup>3</sup>, requiring producers and importers to manage waste throughout a product's lifecycle.



## Making ESG and sustainability mandatory

Circular No. 96/2020/TT-BTC (2021) requires public companies and companies with listed or publicly offered bonds to report on ESG and sustainability.



## Sharpening focus on renewables in the power sector

The revised PDP8 covers 2021-2030, with an outlook to 2050.<sup>4</sup> This places a stronger focus on expanding renewable energy. The adjustments are designed to underpin Vietnam's ambitious economic objectives, including achieving 8% GDP growth in 2025 and sustaining double-digit growth from 2026 to 2030.



## Green credit and bonds

The Law on Environmental Protection (2020) and Decree No. 08/2022/ND-CP of the Government provide the foundation for green credit and bonds, now supplemented by Vietnam's official Green Taxonomy under Decision No. 21/2025/QĐ-TTg (effective August 2025), which sets environmental criteria and verification for 'green' projects.

- **Banks financing green projects** may access concessional funding, through state green-finance programmes and the Vietnam Environmental Protection Fund/other preferential credit lines, subject to eligibility.
- **Green bond** issuers may benefit from preferential service fees but must publish annual reports on use of proceeds and annual environmental impact reports for the financed projects.



## Overhauling the legal rules for electricity

The Electricity Law (2024), which came into effect on 1 February 2025, marks a major legal reform in Vietnam's energy sector, replacing the 2004 framework. The law and its guiding regulations introduce key changes such as increased incentives for renewables, updated power planning principles, revised licensing and investment rules, and foster a more competitive power market. Transitional measures ensure that existing projects, contracts and licences remain governed by the previous regime, with pending applications also being processed under the old rules.

1. Decision No. 896/QĐ-TTg (2022) of the Prime Minister.

2. Decision No. 13/2024/QĐ-TTg of the Prime Minister.

3. Decree No. 08/2022/ND-CP of the Government and Decree No. 05/2025/ND-CP of the Government amending and supplementing Decree No. 08/2022/ND-CP.

4. Decision No. 768/QĐ-TTg (2025) of the Prime Minister.

# Key reforms



## Introducing a National Green Taxonomy

Decision No. 21/2025/QĐ-TTg of the Prime Minister's 'Regulation on Environmental Criteria and Verification of Investment Projects under the Green Taxonomy' was issued on 4 July 2025 to set up Vietnam's official Green Taxonomy. This is the official framework for classifying investment projects as 'green', effective since 22 August 2025.



## Giving practical ESG reporting guidance

The State Securities Commission has worked with international partners to develop guidance aligned with international standards (for example, the Global Reporting Initiative and Task Force on Climate-Related Financial Disclosures).

- Sustainability Reporting Handbook for Vietnamese Companies (2013)
- Greenhouse Gas Emissions Reporting Guidebook (2023)
- ESG Implementation and Disclosure Handbook (2024)

There is also the ESG Legal Mapping Handbook (2024), issued by USAID and the Ministry of Planning and Investment of Vietnam.



## Carbon market regulations on the cards

Various regulations have been issued to facilitate the implementation of Vietnam's carbon credits trading market, including Decision No. 232/QĐ-TTg (2025) of the Prime Minister, Decree No. 119/2025/ND-CP, Decree No. 29/2026/ND-CP and Decree No. 112/2026/ND-CP of the Government on carbon market operations. Detailed rules are being issued to enable the full operation of the carbon exchange from 2029.<sup>5</sup>



**Want to know more about the coming carbon market?  
Read the next section Carbon Markets for details.**



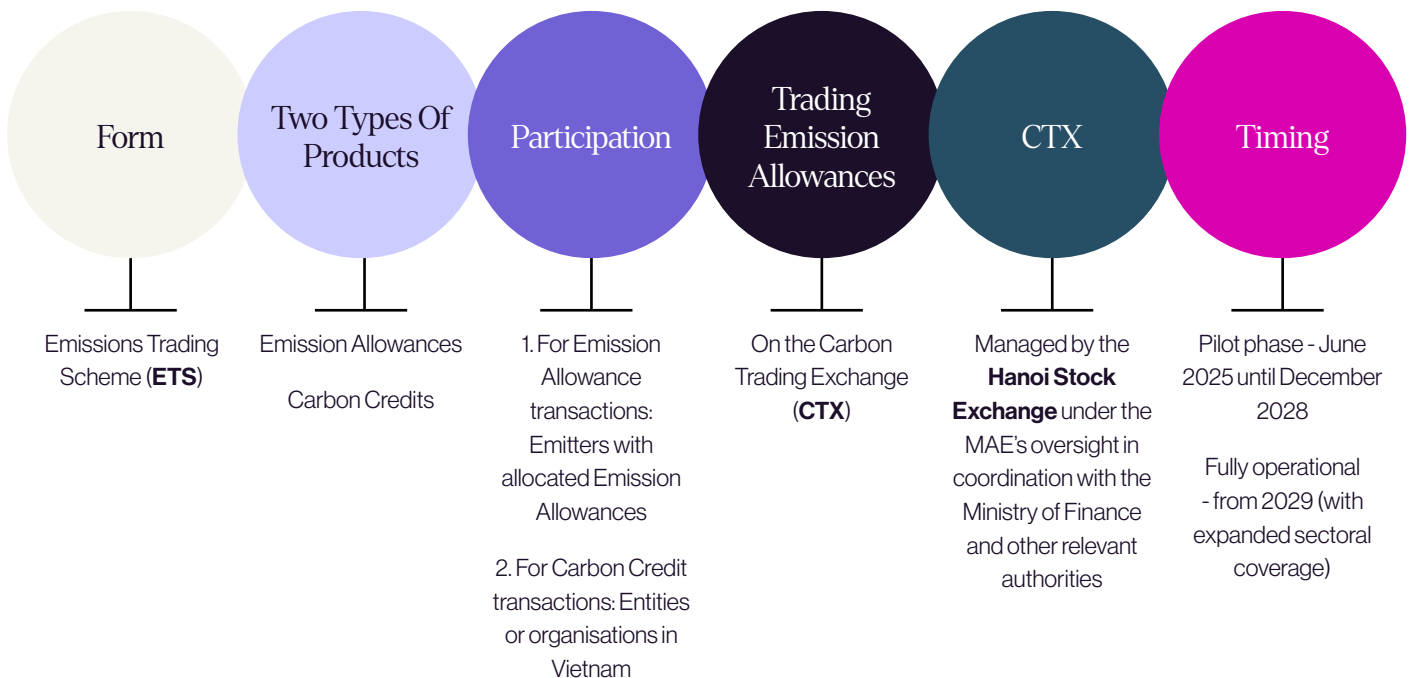
<sup>5</sup> [Decision No. 232/QĐ-TTg of the Prime Minister.](#)

# Carbon Markets

Vietnam is actively developing a domestic carbon market. Following the roadmap for a fully operational carbon market by 2029 under [Decision No. 232/QĐ-TTg](#), the regulatory framework has been progressively developed through a series of key instruments.

At its core, [Decree No. 119/2025/ND-CP](#), issued on 9 June 2025 (as amended by Decree No. 83/2026/ND-CP), provides the mechanism for allocating greenhouse gas emission allowances (**Emission Allowances**) through 2030 and for implementing the pilot ETS from mid-2025 until the end of 2028.

Building on this, [Decree No. 29/2026/ND-CP](#), issued on 19 January 2026, establishes the legal framework for Vietnam's domestic carbon exchange, while [Circular No. 11/2026/TT-BNNMT](#), issued on 13 February 2026, governs the national registry for Emission Allowances and carbon credits. The Government also issued [Decree No. 112/2026/ND-CP](#) on 1 April 2026, providing the framework for the international transfer of greenhouse gas emission reduction results and carbon credits.





## TRADING UNDER THE PILOT ETS

### How are Emission Allowances allocated?

In the 2025–2026 period, thermal power plants, iron/steel and cement facilities covered by the ETS pilot receive mostly **free allocated** Emission Allowances based on government-approved greenhouse gas inventories and allocation principles, with individual allocations for the period issued by the [Ministry of Agriculture and Environment \(MAE\)](#). Allocations for the remainder of the pilot scheme will be announced on an annual basis.

### How are they used by emitters?

Emitters in the scheme must surrender a specified quantity of Emission Allowances for each allocation period (**Return Obligation**).<sup>6</sup> Emitters may, subject to applicable caps and statutory requirements, trade, borrow or transfer Emission Allowances and/or use eligible Carbon Credits to fulfil this Return Obligation.<sup>7</sup>

Failure to complete the Return Obligation will subject the relevant facility to administrative penalties under the environmental regulations and any shortfall in surrendered Emission Allowances will be deducted from the entity's allocation for the subsequent period.<sup>8</sup>

### How can entities earn carbon credits?

Entities seeking to register an emission mitigation project for Carbon Credit issuance under the domestic carbon offset mechanism must select an approved methodology and submit their application to the relevant sectoral ministry.<sup>9</sup> After the mitigation project is registered, Carbon Credits are issued based on an application for issuance of Carbon Credits submitted directly, online or by post to the competent authority.<sup>10</sup>

Upon issuance, the MAE will announce it via the National Registry System for Emission Allowances and Carbon Credits (**National Registry**) and deliver the relevant information on the Carbon Credit to the operator of the relevant carbon trading exchange so it can be updated to the account of the relevant entities.<sup>11</sup>

### Who oversees the carbon market?

The MAE is the lead regulator of Vietnam's carbon market infrastructure. The MAE...

- **chairs and coordinates** the development, management and operation of the National Registry, which:
  - records, updates and provides data on Emission Allowances and Carbon Credits
  - processes key compliance transactions such as borrowing, surrender/return, transfer and offsetting.
- sets the **core market-organisation requirements** and technical standards for the domestic Carbon Trading Exchange, working jointly with the Ministry of Finance and other agencies to ensure the trading platform aligns with national ETS rules and environmental policy objectives.
- co-develops, with the Ministry of Finance, the **regulatory and technical framework** for organising and supervising carbon market trading. The Ministry of Finance's role focuses on the financial-market side of the carbon exchange - rules for market operation, service provision, fees, settlement/clearing architecture and broader integration with Vietnam's securities and fiscal systems.

### What does this mean for businesses and investors?

This significant development presents new opportunities and responsibilities for businesses operating in the region, as well as businesses and investors involved in global carbon markets.

- **High-emitting businesses** in Vietnam, including those in energy, manufacturing and industrial sectors, should familiarise themselves with the evolving regulations and prepare to implement emissions mitigation strategies and submit emissions inventories.
- **Investors** should closely monitor regulatory developments and seek expert advice to navigate these changes and identify potential market opportunities.



The roadmap to a domestic carbon market is a significant development. Find out more about the implications and how to prepare for it in our insight, [Vietnam Sets the Stage for Carbon Trading](#).

6. Article 19.5(a) and Article 19.5(b) of Decree 06/2022/ND-CP (as amended)

7. Article 19.5(dd) of Decree 06/2022/ND-CP (as amended)

8. Article 19.5(e) of Decree 06/2022/ND-CP (as amended)

9. Article 20.3, Article 20.4, Article 20.5 of Decree 06/2022/ND-CP (as amended)

10. Article 20.9(a), Article 20.9(d) of Decree 06/2022/ND-CP (as amended)

11. Article 19.3 of Decree 06/2022/ND-CP (as amended)

# Case Study

## WHAT DOES A CARBON PROJECT LOOK LIKE?

Vietnam participates in the UN initiative, 'Reducing emissions from deforestation and forest degradation in developing countries' (REDD+). Countries receive results-based payments for emissions reductions when they reduce deforestation.

One of the most successful initiatives under this program is Vietnam's Carbon Fund Program in partnership with the World Bank's Forest Carbon Partnership Facility (FCPF). Since 2018, this crediting program has covered 6 provinces and a land area of over 5 million hectares in Vietnam's North Central Coast (NCC), home to vital ecosystems and biodiversity areas that encompass five internationally recognised conservation corridors. The expansion of agricultural land, hydropower, infrastructure development and logging in recent decades has accelerated deforestation and forest degradation.

### How the program has resulted in a record payment for emissions reductions

In March 2024, Vietnam was the first country in the East Asia Pacific region to receive a results-based payment under the FCPF. The US\$51.5 million payment, made for reducing 10.3 million tons of carbon emissions between 1 February 2018 and 31 December 2019, represents the largest single payment to date made by the FCPF for verified and high integrity carbon credits. The payment was set for distribution amongst 70,055 forest owners and 1,356 communities across the NCC region in accordance with a robust benefit sharing plan designed through a consultative process between the World Bank and communities.

The program generated emissions reductions in excess of the contracted volume with the FCPF. Vietnam can sell the credits to third party buyers through bilateral agreements or on international carbon markets. It is expected that the carbon credits generated from these projects will be traded on the domestic ETS.

### Activities implemented under the program include<sup>12</sup>...

- law enforcement to control deforestation and forest degradation
- development of legal documents for sustainable forest management
- review of forest planning and of construction plans for hydropower plants
- investment in the forest sector, and
- enhancement of agricultural policies.

### Key forest protection, community engagement and emissions reduction outcomes<sup>13</sup>

- 884,215 hectares of forests sustainably managed by community groups
- at least 56,500 hectares of forests regenerated naturally
- 24.7 million tonnes of CO2 equivalent in total estimated reductions
- up to 70% of local communities have engaged in collaborative forest management.

### Non-carbon benefits: poverty reduction and improved land governance

A large focus of the program has been on reducing poverty in the program area. Nearly one third of the 10.5 million people in the NCC Region are living below the national poverty line. Many rely on forests and agriculture for their livelihoods.

The program has introduced climate-smart agricultural practices such as agroforestry, drought-resilient crops, home-gardens and reduction of toxic insecticides and pesticides. These initiatives have improved food security, created economic opportunity to alleviate poverty and reduced the environmental degradation caused by subsistence agriculture. With 50% of households adopting improved agricultural practices, the area has seen a 10% reduction of poverty among forest-dependent people.

<sup>12</sup> Vietnam\_1st ER Monitoring Report\_18May2021\_final\_without Annex 1-3\_0.pdf

<sup>13</sup> [https://www.forestcarbonpartnership.org/sites/default/files/2023/Nov/vietnam\\_country\\_profile\\_fcpf.pdf](https://www.forestcarbonpartnership.org/sites/default/files/2023/Nov/vietnam_country_profile_fcpf.pdf)

# Green Financing

The sustainable finance market in Vietnam has steadily grown since its first green bond was issued in 2023. Green and sustainable financing is expanding as institutions recognise the need to transform the credit and banking systems in Vietnam to improve access to green capital sources.

The State Bank of Vietnam (**SBV**) has committed to issuing guidance on green credit and environmental risk management to 'create a unified legal basis for credit institutions to implement,<sup>14</sup> following data that only 4.5% of total outstanding bank credit in mid-2024 was 'green'.



14. <https://greencentralbanking.com/2024/08/28/vietnam-central-bank-green-credit-framework/>.

15. [Case-Study-Viet-Nam-BIDV-green-bond-TA.pdf](#).

16. [bidvcom.vn/bidv\\_en/tin-tuc/thong-tin-bao-chi/bidv-tien-phong-ban-hanh-khung-khoan-vay-ben-vung](#).

17. [bidvcom.vn/bidv\\_en/tin-tuc/tin-ve-bidv/bidv-thong-bao-ban-hanh-khung-trai-phieu-xanh](#).

18. [bidvcom.vn/en?url=wcmspath/wps/wcm/connect/BIDV\\_EN/tin-tuc/tin-ve-bidv/bidv-thong-bao-ban-hanh-khung-trai-phieu-ben-vung](#).

19. Decision No.1663/QĐ-NHNN of the SBV.



## COLLABORATION WITH INTERNATIONAL ORGANISATIONS

The government is committed to aligning Vietnam's regulations and guidelines with international frameworks.

- 'How to Issue Green Bonds, Social Bonds and Sustainability Bonds' published by State Securities Commission of Vietnam, collaborating with the Climate Bonds Initiative, the International Finance Corporation (IFC) and the Swiss State Secretariat for Economic Affairs (SECO) in 2011.<sup>20</sup>
- 'Environmental and Social Risk Management System (ESMS) Handbook in Credit Granting Activities' launched on 21 May 2025 by SBV, developed in partnership with IFC.<sup>21</sup>

This forms part of IFC's long-term investment in Vietnam's green transition, which has included support for Vietnam's [first blue bond](#) issued by Southeast Asia Joint Stock Commercial Bank (SeABank) and its [first local currency sustainability-linked bonds](#). SBV has also entered a partnership with the [European Investment Bank](#) under the Bank's 'Greening Financial Systems' programme, to receive technical assistance to strengthen climate risk management, expand green finance, attract investment and adopt global best practices in sustainable finance policies.



## GREEN TAXONOMY

Vietnam's long-awaited green taxonomy came into effect in August 2025<sup>22</sup>. This will be the official framework for classifying investment projects as 'green'. Project developers may seek verification of green status, increasing transparency for lenders and opening access to credible green capital.

The Green Taxonomy will give credit institutions the confidence in green classification criteria that was lacking in the absence of a robust legal framework. Its development was led and coordinated from 2024 by the Ministry of Natural Resources and Environment (now part of the MAE), together with other relevant government ministries and agencies<sup>23</sup>.



## ELIGIBILITY FOR 'GREEN CLASSIFICATION'



renewable and clean energy – solar, wind, biomass, small hydro and other clean energy technologies



clean transportation – EVs, public transit systems and infrastructure supporting low-emission mobility



green buildings and public facilities



agriculture, forestry, fisheries and biodiversity – organic farming, agroforestry, sustainable land use and biodiversity conservation



water and wastewater management – water conservation, wastewater treatment and water infrastructure



green manufacturing



environmental services

20. [2130\\_Vietnam\\_How\\_to\\_issue\\_green\\_bonds\\_social\\_bonds\\_and\\_sustainability\\_bonds\\_2021.pdf](#).

21. <https://envietnamplus.vn/state-bank-launches-tool-to-facilitate-green-finance-post319593.vnp>.

22. Decision No. 21/2025/QĐ-TTg of the Prime Minister.

23. <https://theinvestor.vn/finalization-of-green-taxonomy-a-matter-of-urgency-d9262.html>.



## CHALLENGES AHEAD

Vietnam has taken great strides to promote sustainable finance, but implementation challenges remain.

Compared to other economies in ASEAN, Vietnam's sustainable finance market is relatively underdeveloped. This is despite its ranking as sixth among countries most vulnerable to climate change.<sup>24</sup> The application of environmental and social risk management is still uneven among credit institutions, especially the group of small-medium sized banks. Further guidance to assist these credit institutions to understand environmental risk management in the context of their operations will be important to mobilise the green capital necessary to support Vietnam's transition.

There is also a reluctance in the business community to secure green loans due to unfavourable terms and the difficulty in recovering capital and ensuring profitability.<sup>25</sup>

Scaling Vietnam's sustainable finance market will need sustained efforts, including continuing to:

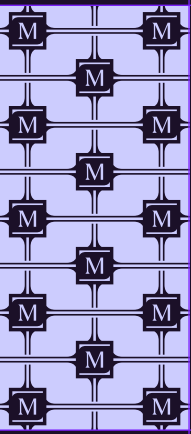
- Develop and strengthen a unified and comprehensive **regulatory framework** and the Green Taxonomy.
- Consistently **enforce regulations** to boost market and investor confidence in the region.
- Build technical expertise and encourage **knowledge sharing and coordination** among stakeholders such as government agencies, financial institutions and private sectors.
- Address market challenges by **increasing investor awareness**, lowering costs of issuance, enhancing data transparency and reporting, and encouraging public and private partnerships.

By addressing issues and obstacles, there are enormous opportunities to tap as Vietnam unlocks its sustainable finance potential and drives meaningful change.



24. <https://www.reddal.com/insights/unlocking-vietnams-sustainable-bond-market-overcoming-barriers-and-empowering-corporate-leaders-to-drive-green-finance/>

25. <https://vircom.vn/systemic-issues-persist-in-green-credit-development-119486.html>



# Energy Transition

Vietnam stands at a pivotal juncture in its energy transition, driven by robust economic growth, rapid industrialisation and an accelerating digital transformation.

Almost half of Vietnam's electricity generation came from renewable sources in 2022, yet decarbonising Vietnam's energy sector is no easy task.<sup>26</sup> Coal remains the largest source of electricity (44.8%) and energy consumption per capita has increased approximately 771% between 2002 and 2023.<sup>27</sup>

The country's energy regulatory landscape is undergoing a fundamental reshape with PDP8 and the Electricity Law, which set out a comprehensive framework for decarbonising the power sector, ensuring energy security and supporting the nation's ambitious net zero commitments.

US\$136.3b

between 2026-2030

Total investment needed as estimated by PDP8

Source: Vietnam Briefing, *'Vietnam Revises PDP8: Targets of the National Power Development Plan'*



26. <https://www.iea.org/countries/viet-nam>

27. International Energy Agency, *'Achieving a Net Zero Electricity Sector in Vietnam: Exploring Decarbonisation Pathways'* (World Energy Outlook Special Report, November 2024) p 12 <https://iea.blob.core.windows.net/assets/622afcb9-097c-440a-909c-c1d5f2cdfca/AchievinganetzeroelectricitysectorinVietNam.pdf>.



## VIETNAM'S ENERGY TRANSITION: POLICY AND LEGISLATIVE FOUNDATIONS

The cornerstone of Vietnam's energy transition strategy is PDP8, most recently amended in April 2025.<sup>28</sup> PDP8 was revised for alignment with the recently enacted Electricity Law.<sup>29</sup> It sets out a bold vision for 2021–2030, with a long-term outlook to 2050, reflecting a significant shift away from coal and towards renewables, new energy technologies and grid modernisation. This is essential to support Vietnam's rapidly growing economy and the energy-intensive digital sector.

### KEY FEATURES OF THE REVISED PDP8



#### Capacity expansion

- Total installed capacity target of 183–236 GW by 2030 (up from 150 GW in the original PDP8) and up to 775–837 GW by 2050, to meet projected annual GDP growth of 10% (2026–2030) and 7.5% (2031–2050)



#### Renewable energy acceleration

- Renewables (excluding hydropower) expected to account for 28–36% of electricity generation by 2030, rising to 74–75% by 2050
- Large-scale deployment of wind (onshore, nearshore, and offshore), solar (including rooftop and floating) and biomass prioritised
- Offshore wind capacity targets of up to 6–17 GW by 2035 and 114–139 GW by 2050<sup>30</sup>



#### Grid modernisation and storage

- Calls for major investments in grid infrastructure, smart grid technologies and energy storage
- Battery storage targets dramatically increased to 10–16 GW by 2030 and up to 96 GW by 2050, alongside pumped hydro and flexible generation sources



#### Phasing down fossil fuels

- Coal-fired power capped at ~31 GW by 2030
- Clear roadmap for conversion to biomass or ammonia and eventual decommissioning by 2050
- Gas and LNG play a transitional role - focus on domestic gas with a gradual shift to hydrogen as technology matures



#### Nuclear power reintroduction

- Reintroduced under revised plan, with Ninh Thuan 1 and 2 plants (4–6.4 GW) scheduled to commence operations between 2030 and 2035
- Further expansion envisaged by 2050 (up to 11–14 GW) to provide reliable baseload supply

28. Decision No. 768/QĐ-TTg (2025) of Prime Minister.

29. <https://www.vietnam-briefing.com/news/vietnam-revises-pdp8-key-targets-of-the-national-power-development-plan.html/>.

The legal and regulatory backbone for Vietnam's energy transition is provided by the new **Electricity Law**, effective from February 2025. It replaces the 2004 law and introduces a modernised, market-oriented framework that supports the objectives of PDP8. The Electricity Law and its implementing regulations bring incentives for renewable energy including enabling direct power purchase agreements (known as **DPPAs**)<sup>30</sup> and, for offshore wind, sea area and land use or lease fees benefits and power offtake guarantees<sup>31</sup>.

## KEY FEATURES OF THE ELECTRICITY LAW



### Comprehensive support for renewable energy and new energy

- Introduces the definitions of renewable energy and new energy with broad categories<sup>31</sup>; explicitly supports offshore wind, green hydrogen and green ammonia<sup>33</sup>, and encourages integration with energy storage systems<sup>34</sup>
- Prioritises large-scale renewable clusters and industrial centres<sup>35</sup>
- Provides incentives such as land and sea lease reductions, and minimum long-term contracted offtake for offshore wind and new energy projects<sup>36</sup>



### Investment facilitation

- Enables direct PPAs, allowing large energy users to contract directly with renewable generators via private and dedicated grids<sup>37</sup>



### Tariff and PPA framework

- Introduces a more flexible PPA framework that empowers producers and EVN to negotiate project-specific terms, and modifies tariff-determination mechanisms to recognise energy storage costs and broader tariff adjustments<sup>38</sup>



### Grid and system operation

- Attracts all economic sectors to participate in investment in power-generation facilities and power grids, electricity generation, distribution, wholesale and retail activities (non-State economic sectors are permitted to operate the power grids they invest in and build)<sup>39</sup>



### Wholesale energy market

- Requires grid-connected generators over 30MW (and some smaller ones) must participate in Vietnam's wholesale energy market (**VWEM**, operational since 2019) while renewable energy (with exceptions) and BOT projects with effective contracts are generally exempt
- PPAs must specify that the contracted output - between 60% and 100% of total generation - is sold at the contract price, with any remaining output sold on the VWEM according to market rules and relevant regulations<sup>40</sup>

30. Decree No. 57/2025/ND-CP of the Government.

31. Decree No. 58/2025/ND-CP of the Government.

32. Electricity Law (2024) ss 4.13, 4.14.

33. Electricity Law (2024) ss 23, 26.

34. Electricity Law (2024) s 20.3.

35. Electricity Law (2024) s 20.2(dd).

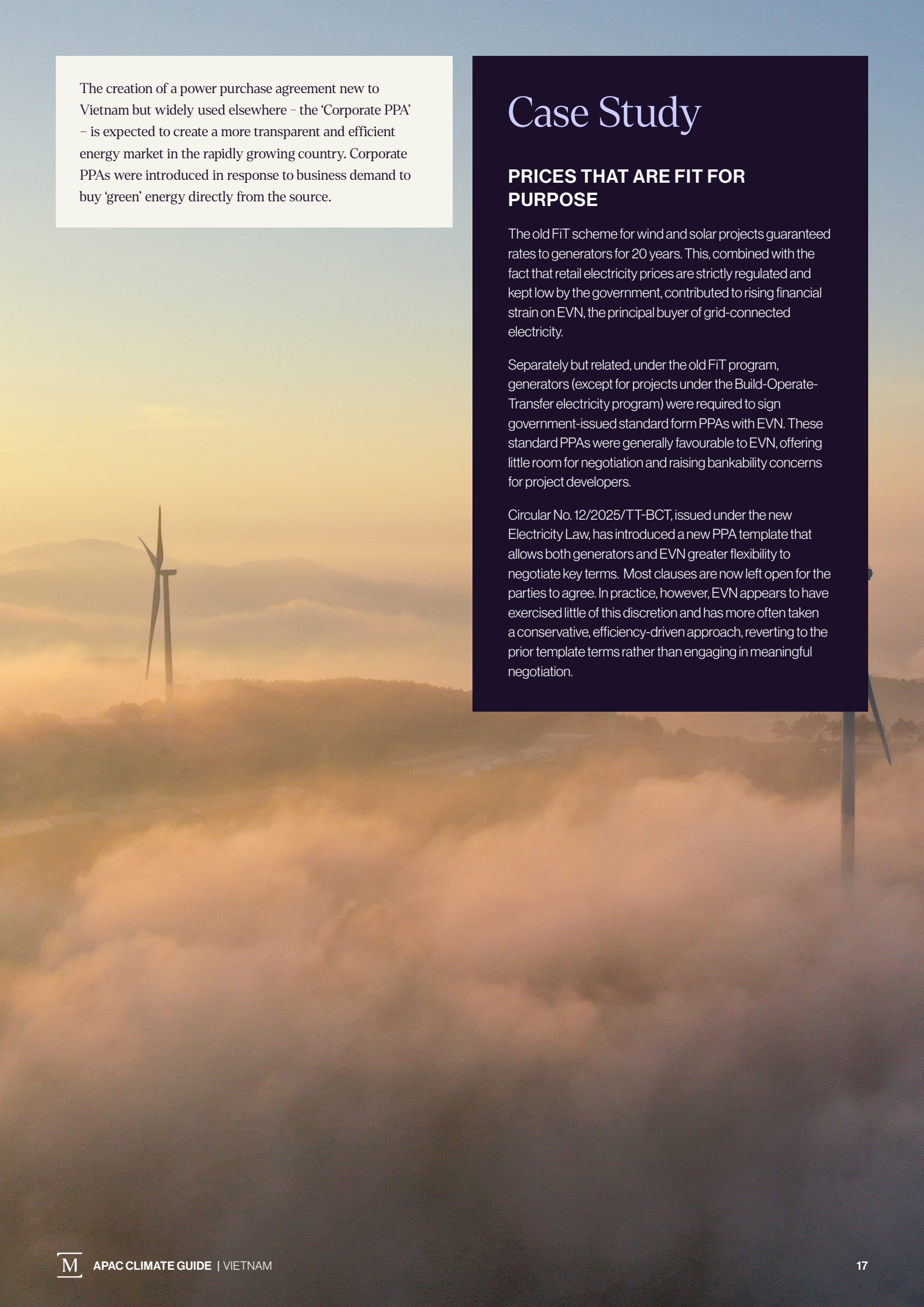
36. Electricity Law (2024) ss 23, 26.

37. Electricity Law (2024) s 47; Decree 57/2025/ND-CP.

38. Circular 12/2025/TT-BCT.

39. Electricity Law (2024) s 5.4.

40. Circular No. 16/2025/TT-BCT.



The creation of a power purchase agreement new to Vietnam but widely used elsewhere – the ‘Corporate PPA’ – is expected to create a more transparent and efficient energy market in the rapidly growing country. Corporate PPAs were introduced in response to business demand to buy ‘green’ energy directly from the source.

## Case Study

### PRICES THAT ARE FIT FOR PURPOSE

The old FIT scheme for wind and solar projects guaranteed rates to generators for 20 years. This, combined with the fact that retail electricity prices are strictly regulated and kept low by the government, contributed to rising financial strain on EVN, the principal buyer of grid-connected electricity.

Separately but related, under the old FIT program, generators (except for projects under the Build-Operate-Transfer electricity program) were required to sign government-issued standard form PPAs with EVN. These standard PPAs were generally favourable to EVN, offering little room for negotiation and raising bankability concerns for project developers.

Circular No. 12/2025/TT-BCT, issued under the new Electricity Law, has introduced a new PPA template that allows both generators and EVN greater flexibility to negotiate key terms. Most clauses are now left open for the parties to agree. In practice, however, EVN appears to have exercised little of this discretion and has more often taken a conservative, efficiency-driven approach, reverting to the prior template terms rather than engaging in meaningful negotiation.

# Region Focus: Digital Transformation

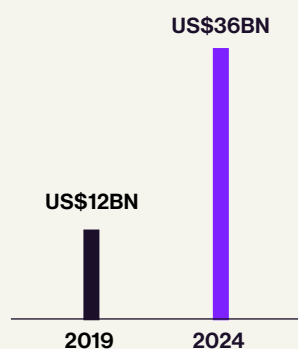
Vietnam's digital economy is expanding rapidly, with the growth of data centres, cloud computing and digital services. The energy demand from data centres is particularly acute, given their 24/7 operation and high-power density.

According to government and industry estimates, the digital sector's electricity consumption is expected to grow at double-digit rates, outpacing overall demand growth.<sup>41</sup> Foreign capital is needed to supplement the domestic response to the increasing demand for data centre services and to overcome existing power stability issues for sustained growth.

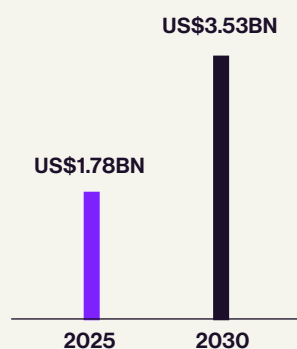
## VIETNAM'S RAPID DIGITAL GROWTH...

## ...DRIVEN BY THE UPTAKE IN AI ADOPTION

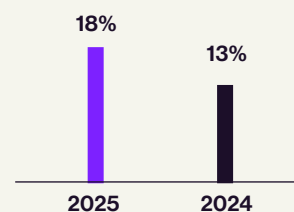
Digital economy



Data centre market



Businesses adopting AI



AI interest and demand is concentrated in Ho Chi Minh City and Da Nang

Sources: [e-Conomy SEA 2024 | Bain & Company](#).

[Vietnam Data Center Market Size & Share Analysis - Industry Research Report - Growth Trends](#).

[New AWS research shows strong AI adoption momentum in Vietnam - Press Center](#)

41. International Energy Association: <https://www.iea.org/news/iea-ai-to-drive-surging-electricity-demand-from-data-centres-while-offering-the-potential-to-transform-how-the-worlds-sector-grows>



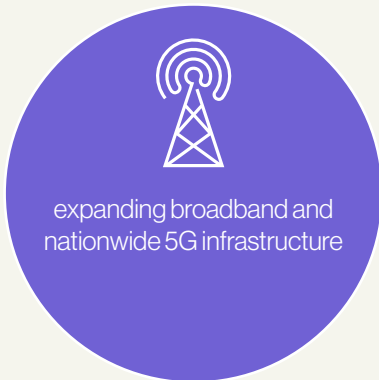
## HOW NATIONAL POLICY IS PROVIDING THE BACKBONE FOR DIGITAL INFRASTRUCTURE PROJECTS

Ambitious national programs, coupled with far-reaching legislative reforms, are reshaping Vietnam's investment landscape as the country accelerates its digital transformation agenda.

### National Digital Transformation Program

Vietnam's National Digital Transformation Program<sup>42</sup>, launched in 2020, sets out to build a digital government, digital economy and digital society by 2025.

#### THE PROGRAM FOCUSES ON THREE CORE PILLARS:



By prioritising digital infrastructure, innovation and connectivity, the program improves Vietnam's prospects of attracting much-needed investments, while simultaneously addressing structural challenges such as the digital divide, data governance and cybersecurity.

### Strategic policy direction toward 2030

Resolution No. 57-NQ/TW of the Politburo and Resolution No. 71/NQ-CP of the Government reinforce this policy direction. These resolutions set ambitious national targets toward 2030, including:

- positioning Vietnam among the top three countries in Southeast Asia in terms of digital competitiveness and AI research and development
- expanding 5G coverage to reach 99% of the population, and
- ensuring that the digital economy contributes at least 30% of national GDP.

### Modernised legal framework for digital technologies opens access and sets standards

Crucially, these strategic commitments are now underpinned by a modernised legal framework. The new Law on Telecommunications (2023) and the Law on the Digital Technology Industry (2025) mark a significant evolution in Vietnam's regulatory approach.

Together, these laws provide formal legal recognition for data centres, data centre services, AI, digital assets and other strategic digital technologies. They open full market access to foreign investment in data centre services, while introducing clearer and more robust standards governing data centre operations, cybersecurity, data governance and environmental sustainability.

A notable development under the new regime is the introduction of a dedicated legal framework for innovation zones. The concept of the 'Digital Technology Park' (**DTP**) builds upon and significantly expands the traditional information technology park model, offering more flexible, dynamic and supportive environments in which innovation, digital technologies and related industries can thrive.

42. Decision No. 749/QĐ-TTg (2020) of the Prime Minister.

## Investment incentives and implementation facilitation

The new legislative framework is complemented by enhanced investment incentives and streamlined implementation mechanisms.

- Projects in cutting-edge sectors such as semiconductors, AI data centres and key digital technology products may benefit from attractive tax incentives, including corporate income tax (**CIT**) rates as low as **5%** for qualifying large-scale projects (compared to the standard rate of 20% for most businesses).<sup>43</sup> These sectors, regardless of project scale, may also enjoy priority customs procedures, enabling faster clearance and simplified documentation.
- Digital technology projects that do not qualify for the above incentives based on sector or scale, including projects located within DTPs, may still benefit from preferential **CIT rate of 17%** and/or relevant CIT exemption and reduction, depending on the applicable conditions.
- In addition, a broad range of strategic technology sectors and products - such as digital infrastructure development, cloud computing, large-scale data centres, AI assistants and analytics tools, industry-specific AI applications and digital assets - are now within the scope of 'special investment procedures'. This special procedure allows eligible investors to **commence construction approximately 6 to 12 months** earlier by bypassing certain standard licensing and approval requirements.<sup>44</sup>

# Case Study

## VIETTEL HOA LAC DATA CENTRES (HANOI)

Viettel IDC operates a cluster of three data centres in Hoa Lac High-Tech Park, Hanoi, which are among the largest data centres in Northern Vietnam and play an important role in providing digital infrastructure.

In April 2024, Viettel inaugurated the latest facility, Hoa Lac 3, which is the largest data centre in Vietnam, featuring:

- 60,000 servers
- more than 2,400 racks
- approximately 21,000 m<sup>2</sup> of floor space, and
- total power capacity of 30MW.

Built using green technologies, Hoa Lac 3 is the first data centre in the country to commit to using renewable energy for 30% of its electricity consumption. The facility is designed to meet the growing demand for high-capacity computing, particularly for AI development.<sup>45</sup>

43. Decision No. 29/QĐ-TTg (2021) of the Prime Minister.

44. Decree No. 19/2025/NĐ-CP of the Government.

45. <https://viettel.com.vn/en/news-events/news/viettel-launches-vietnams-largest-green-data-center-ready-for-ai-development/>



## HOW VIETNAM'S NEW ENERGY LAWS ARE DIRECTLY TACKLING THE DIGITAL CHALLENGE



### We need to talk about feed-in-tariffs – and how they could unlock growth

Despite progress in renewable energy development, regulatory uncertainty surrounding feed-in-tariffs remains a critical barrier to investment. This lack of clarity can deter the necessary investment in renewable projects needed to meet the energy demands of Vietnam's burgeoning digital economy. Consistent and transparent policy frameworks would support long-term growth and unlock opportunities.



### Ensuring adequate supply

The significant increase in planned generation and grid capacity is designed to meet the needs of energy-intensive sectors, including data centres, manufacturing and urbanisation.



### Enabling green power procurement

The introduction of direct Corporate PPAs and the focus on renewable energy clusters allow data centre operators and digital infrastructure providers to source clean electricity, supporting both corporate sustainability goals and Vietnam's decarbonisation targets. Decree 57/2025/ND-CP clears the regulatory pathway for large electricity consumers to enter direct Corporate PPAs with renewable energy generators under two mechanisms:

1. Direct purchase through dedicated private lines between the renewable generator and the consumer, and
2. Direct purchase via the national grid, where power is sold and delivered through the national transmission and distribution system.

Under the Information and Communication Infrastructure Master Plan for the Period 2021–2030, with a Vision to 2050, approved by Decision No. 36/QĐ-TTg in January 2024, Vietnam aims to establish large-scale data centres built to green standards and aligned with regional energy planning.

New data centres are required to meet international green benchmarks and priority will be given to locations with stable electricity supply and in close proximity to renewable energy sources. Each new data centre project will also need to undertake environmental impact assessments and submit them for appraisal by a council of experts.



### Grid reliability and resilience

Investments in smart grids, storage and flexible generation are critical to ensuring the reliability and quality of supply required by digital infrastructure, which is highly sensitive to power interruptions and voltage fluctuations.



### Location and industrial ecosystems

The establishment of renewable energy industrial and service centres, as mandated by PDP8, is expected to attract data centre investments to regions with abundant clean energy, further supporting the digital economy.

Although these instruments provide for ambitious goals and roadmap forward, regulatory certainty will prove key in materialising the objectives of PDP8 and the Electricity Law.

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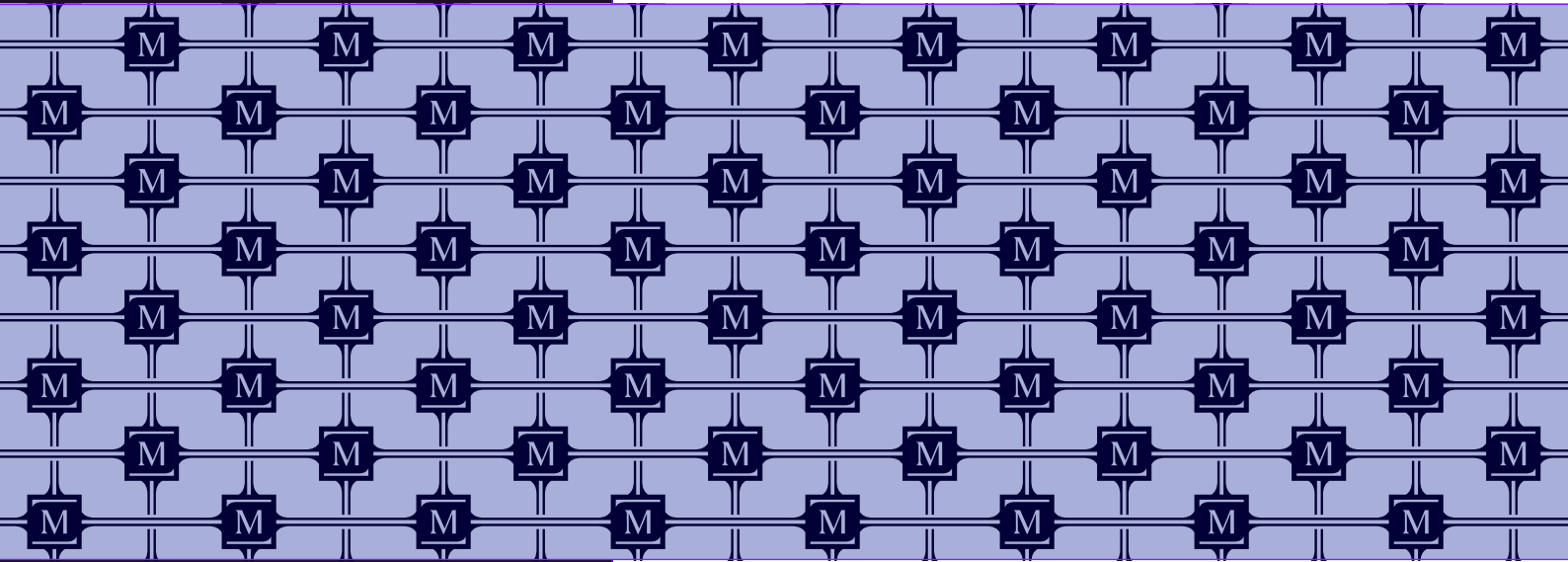
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