

Industry Spotlight

GREENING THE FLOW: REGULATORY UPDATES AND MARKET TRENDS IN GREEN CREDIT & GREEN BONDS

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Overview

Since 2017, Vietnam's green finance market has witnessed notable development, driven by the rollout of various policies and strategic frameworks promoting sustainable development.

Green credit and green bonds, key instruments within this market, are designed to channel capital toward projects with environmental benefits, including climate resilience, renewable energy, and sustainable infrastructure.

Following the provisions of the Environmental Protection Law 2020, on 18 February 2025, the Draft Decision of the Prime Minister on the environmental criteria and certification for projects eligible for green credit and green bond issuance was officially released for public consultation ("**Draft Decision**"), which provides important insights for investors interested in Vietnam's growing green finance market.



Green Credit

Green credit refers to loans extended by credit institutions and foreign bank branches operating in Vietnam to support investment projects that contribute to environmental sustainability.

Eligible projects include:

Efficient utilization of natural resources

Climate change mitigation and adaptation

Waste management and treatment

Pollution control and environmental quality improvement

Restoration of natural ecosystems

Conservation of nature and biodiversity

Creation of other environmental benefits

Incentives for green credit:

- ❑ The State encourages credit institutions and foreign bank branches in Vietnam to provide preferential loans to eligible green projects.
- ❑ In return, these lenders will be given priority access to concessional funding from the Government and receive training support from competent authorities on green credit practices.
- ❑ Subject to state budget availability and actual green lending, the Ministry of Finance (formerly the Ministry of Planning and Investment) will coordinate with relevant ministries to propose post-loan interest rate support for green projects, effective from 1 January 2026.

Green Bonds —

Green bonds are issued by the Government, local authorities, and enterprises in accordance with applicable bond regulations, with the purpose of mobilizing capital for projects that deliver environmental benefits and support environmental protection initiatives.

Eligible initiatives and environmental benefits include:

Renovation and upgrading of environmental protection infrastructure

Adoption of technologies applying the best available techniques (BAT)

Implementation of circular economy practices, green economy models, and low-carbon strategies

Prevention and reduction of environmental pollution

Environmental restoration following pollution incidents

Efficient use of natural resources and land, energy saving, and development of renewable energy

Development of multi-purpose, environmentally sustainable infrastructure

Effective water resource management and wastewater treatment

Climate change adaptation and investment in natural capital

Other environmentally beneficial projects as prescribed by relevant regulations

Eligibility Conditions



Under the Draft Decision, to qualify for green credit or green bond issuance, investment projects must satisfy two key conditions:

Fall under sector identified
in **green project
classification list**

&

Meet core **environmental
criteria**



7 sectors



3 criteria

Green Classification List



Energy:

- ☐ Production and installation of electrical systems using renewable energy.
- ☐ Generation of steam and gas from renewable sources.
- ☐ Construction and installation of infrastructure supporting renewable energy development.



Transportation:

- ☐ Low-emission transportation systems.
- ☐ Development of infrastructure supporting low-carbon transport initiatives.



Construction:

- ☐ Development of residential and certified green buildings.
- ☐ Projects that enhance energy efficiency in the built environment.



Water Resources:

- ☐ Construction of water supply and drainage systems.
- ☐ Projects focused on water treatment and pollution control.

Green Classification List (cont.)



Agriculture, Forestry, Aquaculture, and Biodiversity Conservation:

- ☐ Reforestation and afforestation projects.
- ☐ Sustainable agricultural and livestock practices.
- ☐ Development of eco-tourism and management of nature reserves.
- ☐ Agricultural and rural waste management.



Processing and Manufacturing Industry:

- ☐ Production of energy-efficient equipment and technologies.
- ☐ Manufacturing of electronic components for low-carbon applications.
- ☐ Environmentally friendly packaging and chemical production
- ☐ Energy-efficient production of raw materials.



Environmental Services:

- ☐ Collection, sorting, and treatment of waste.
- ☐ Recycling and processing of scrap materials.

Green Classification List (cont.)

The following verification procedure applies:

1. **The investor prepares** an explanatory dossier demonstrating that the project meets the conditions for inclusion in the Green Project Classification List.



2. **The investor submits** a written request for confirmation, together with the explanatory dossier, to the competent state authority or an organization responsible for administering incentives and support for green credit and green bonds.



3. **The responsible authority may either:**
 - ☐ Conduct the verification process internally; or
 - ☐ Appoint an independent verification body to assess the project's eligibility for inclusion in the Green Classification List

Environmental Criteria —

1. Unless legally exempt under applicable regulations, the project must have approved environmental impact assessment (EIA) report or other valid environmental license or registration.
2. The project must achieve environmental protection goals and demonstrate measurable environmental benefits, which vary by project type; and comply with relevant technical requirements (per Appendix I of the Draft Decision).
3. Examples:

(In addition to the required EIA report or valid environmental license)

❑ Wind power production:

- Environmental objectives and benefits:
 - Green credit: Climate change mitigation.
 - Green bonds: Efficient use of natural resources and support for renewable energy development.
- Technical requirements: Onshore or offshore wind power generation; and certified, inspected, and calibrated equipment in compliance with applicable laws.

❑ Manufacturing of low-carbon transportation vehicles:

- Environmental objectives and benefits:
 - Green credit: Climate change mitigation; generation of environmental benefits.
 - Green bonds: Use of best available techniques; promotion of green economy; carbon emission reduction.
- Technical requirements:
 - Compliance with environmental standards in the manufacturing process;
 - Vehicles must be Eco-labeled, use low-emission fuels, or carry an energy label issued by the competent authority; and
 - Manufacturers/importers must fulfill recycling and product treatment obligations.

Greening the Deal: Legal Tactics —

The legal architecture behind green credit and green bond transactions should be forward-looking and carefully tailored to evolving standards.

1. Successful green credit or bond transaction begins with clear eligibility. Projects should hold either a valid environmental license or an approved EIA report, unless expressly exempt under law.
2. Next comes the use of proceeds. Legal documents should earmark funds strictly for green-qualified activities and include strong safeguards to prevent any diversion to non-eligible purposes.
3. Transparency is a non-negotiable. Deals should be structured to require independent verification, such as second-party opinions, and include tailored ESG reporting obligations (i.e., outlining the frequency of reporting and specifying the environmental metrics to be tracked throughout the project lifecycle).
4. Representations and covenants should go beyond boilerplate:
 - ❑ Borrowers or issuers should confirm environmental compliance through express representations.
 - ❑ ESG due diligence findings should be reflected in conditions precedent, indemnities, and warranties.
 - ❑ Ongoing performance covenants should cover both environmental outcomes and disclosure commitments.
5. If things go wrong, there must be clear remedies. Legal remedies for non-compliance could include early repayment, reclassification of the financial instrument, or reputational fallback mechanisms.
6. Lastly, in Vietnam's fast-evolving legal and policy landscape, contracts should be equipped with adaptive clauses, which enable parties to respond to regulatory shifts without reopening the entire deal.

Trends in Green Credit & Green Bonds —

1. Green financing in Vietnam is evolving beyond its traditional focus on renewable energy to encompass a broader range of sectors, including sustainable transportation, green manufacturing, and environmentally friendly agriculture. By the end of 2022, outstanding green credit for renewable energy projects alone had reached approximately VND233 trillion.
2. A notable milestone in this evolving landscape is the certification of Gia Lai Electricity Joint Stock Company (GEC) under Vietnam's Green Finance Framework - the first enterprise in the country to receive such recognition. GEC plans to issue green bonds to fund two offshore wind power projects, Tan Phu Dong 1 and Tan Phu Dong 2, with a combined capacity of 150 MW, highlighting the growing interest in green bonds as a financing tool.
3. In line with this momentum, TPBank launched a green loan package in 2024 valued at up to VND5,000 billion, offering a 0% interest rate for the first three months to businesses undertaking green initiatives. This move reflects the increasing role of commercial banks in promoting sustainable finance.



Trends in Green Credit & Green Bonds (cont.)

4. Vietnamese financial institutions are also placing greater emphasis on bankable green projects - those that generate both environmental and economic returns. For example, BIDV has emerged as a leader in green financing, with a green credit portfolio exceeding VND63.7 trillion (approx. USD 2.7 billion), covering 1,368 projects. This represents 4.3% of its total outstanding loans and 13% of green lending across the banking sector. These projects span renewable energy and energy-efficient infrastructure.
5. International development partners are playing a crucial role in supporting Vietnam's green finance ecosystem. In 2022, the Asian Development Bank (ADB) and VPBank signed a USD500 million loan package to expand financing for women-led small and medium-sized enterprises in Vietnam.
6. Amid this growth, there is a rising emphasis on transparency, environmental impact disclosure, and independent verification. For instance, BIDV secured a Second Party Opinion on its Sustainable Loan Framework, in accordance with the Green Loan Principles and Sustainability Bond Guidelines. This external validation enhances investor confidence and affirms the credibility of the bank's green financing activities.



Conclusion —

Vietnam's green finance sector is entering a critical phase, driven by expanded regulatory frameworks and increasing interest from both domestic and international stakeholders. Financial institutions are progressively aligning sustainability objectives with commercial viability, supported by concessional funding, technical assistance, and enhanced transparency through verification standards. With clearer environmental criteria, stronger policy incentives, and evolving market practices, Vietnam is well-positioned to accelerate its transition toward a low-carbon, climate-resilient economy.



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