

GREEN BOND ELIGIBILITY CRITERIA: INTERNATIONAL EXPERIENCES AND POLICY RECOMMENDATIONS FOR VIETNAM

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Abstract

This article examines the legal criteria for determining eligible green projects for green bond financing, drawing on international standards and the experiences of the European Union, China, and Vietnam. It identifies two essential elements of green bond eligibility: alignment with a Green Taxonomy and compliance with a defined Use of Proceeds (UoP) threshold. While Vietnam has established a National Green Taxonomy, its legal framework does not yet provide a quantitative UoP threshold. The article argues for a legally binding and appropriately calibrated UoP threshold, supported by robust verification and monitoring mechanisms, to strengthen market integrity, mitigate greenwashing, and facilitate the mobilisation of green finance in Vietnam.

Keywords: green bonds; green bond eligibility criteria; green taxonomy; use of proceeds (UoP); green finance; sustainable finance; Vietnam

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To proactively cope with climate change and fulfill its international environmental commitments,¹ Vietnam recognizes green bonds as a vital financial instrument for catalyzing capital mobilization in support of environmentally sustainable initiatives.² The Vietnamese government has been initially devoting proper attention to the Vietnamese green bond, establishing an appropriate policy framework to regulate this

1 Since 2013, Vietnam has participated in 11 international treaties and agreements on climate change, including the Paris Agreement, the Doha Amendment to the Kyoto Protocol, and the Glasgow Leaders' Declaration on Forests and Land Use. Notably, at the 26th UN Climate Change Conference of the Parties in the UK in 2021, Vietnam committed to achieving net zero emissions by 2050 and cutting methane emissions by 30% by 2030 as compared to 2020 and signed the Global Coal to Clean Power Transition Statement. On December 14th, 2022, Vietnam and International Partners Group also issued a political declaration on the establishment of the Just Energy Transition Partnership. See: Ministry of Construction (2023). *Vietnam stepping up int'l cooperation in climate change response*. <https://moc.gov.vn/en/news/77651/vietnam-stepping-up-int-l-cooperation-in-climate-change-response.aspx>.

2 National Institute for Finance (2018 March 31). *Phát triển trái phiếu xanh tại Việt Nam [Development of Greenbonds in Vietnam]*. <https://mof.gov.vn/tin-tuc-tai-chinh/nguyen-cuu-trao-doi-4/ucmtmp119724>

financial tool.³ Despite its potential, the issuance of green bonds in Vietnam faces several challenges, primarily due to the lack of established criteria for identifying eligible green projects. The ongoing delay in implementing specific and harmonized regulations to tackle this issue has created significant obstacles for both businesses and investors, hindering the growth of this promising market.⁴

In June 2022, a subsidiary of Vietnam Electricity – EVN Finance Joint Stock Company successfully issued bonds aligned with the Green Bond Principles and ASEAN Green Bond Standards in the domestic market.⁵ In 2023, BIDV pioneered the issuance of VND 2,500 billion green bonds, adhering to the Green Bond Principles of the International Capital Market Association (ICMA) and rated by Moody's.⁶ However, these bonds are ultimately classified as vanilla bonds under Vietnamese law,⁷ rendering means they are ineligible for state-level preferential policies when issuing this type of financial instrument. The present situation underscores the imperative of delineating the requirements and conditions governing the issuance of green bonds within the prevailing regulatory framework of Vietnam. This article seeks to clarify the explicit criteria for determining eligible green projects that may be financed through the issuance of green bonds.

- 3 Since 2012, Vietnamese Government has issued multiple legal documents focusing on green transformation and sustainable development, including Decision No.432/QĐ-TTg (12/4/2012) approving the 'Vietnam Sustainable Development Strategy for the period 2011-2020', Decision No. 1393/QĐ-TTg (25/9/2012) endorsing the 'National Green Growth Strategy for the period 2011-2020 and Vision to 2050', Decision No. 403/QĐ-TTg (20/3/2014) approving the National Action Plan on Green Growth for the period 2014-2020; and Decision No. 2053/QĐ-TTg (28/10/2016) approving the Action Plan for the Implementation of the Paris Agreement on Climate Change; Decision No. 1191/QĐ-TTg (14/8/2017) establishing a roadmap for developing the green bond market. Specifically, to implement these Prime Ministerial Decisions on green growth, in the financial sector, Decision No. 2183/QĐ-BTC (20/10/2015) in 2015 was promulgated by the Ministry of Finance, outlining a plan to promote green finance, aiming to develop and improve financial green policies supporting green capital markets and green financial products.
- 4 Tran, T. (2024). Hoàn thiện khung pháp lý đối với tài chính xanh ở Việt Nam, hướng tới mục tiêu Net-Zero [Improving Vietnam's legal framework for green finance to achieve the Net-Zero target], *Economy & Forecast Review Online Journal*. <https://kinhtevadubao.vn/hoan-thien-khung-phap-ly-doi-voi-tai-chinh-xanh-o-viet-nam-huong-toi-muc-tieu-net-zero-29682.html>
- 5 EVNFinance. (2022 July 13). EVNFinance phát hành trái phiếu xanh cho phát triển bền vững [EVNFinance issues green bonds for sustainable development]. <https://www.evncf.vn/tin-chi-tiet/evnfinance-phat-hanh-trai-phieu-xanh-cho-phat-trien-ben-vung>
- 6 BIVD. (2023 October 25). Thông cáo báo chí số 30/2023: BIDV phát hành thành công 2.500 tỷ đồng trái phiếu tài trợ cho các dự án vì môi trường [Press release No. 30/2023: BIDV successfully issued VND 2,500 billion in bonds to finance environmental projects]. <https://bidv.com.vn/bidv/tin-tuc/thong-tin-bao-chi/bidv-phat-hanh-thanh-cong-2500-ty-dong-trai-phieu-tai-tro-cho-cac-du-an-vi-moi-truong>
- 7 Trang Mai. (2024 April 3). TS Cấn Văn Lục: 5 khó khăn trong phát triển thị trường trái phiếu xanh ở Việt Nam. *Tạp chí điện tử Doanh nhân Việt Nam* [Dr. Can Van Luc: 5 difficulties in developing the green bond market in Vietnam. *Vietnam Entrepreneurs Online Journal*]. <https://doanhnhannvn.vn/ts-can-van-luc-5-kho-khan-trong-phat-trien-thi-truong-trai-phieu-xanh-o-viet-nam.html>

Globally, green bonds have emerged as an effective financial mechanism utilized by the European Union (EU) and China to finance green projects and foster the green transition. As for the EU, in 2023, Europe accounted for 53% of the total global aligned green bond volume, contributing USD 309.6 billion,⁸ with the majority of funds directed toward energy efficiency, clean transport and infrastructure, clean energy and networks, and climate change adaptation. By August 2024, EUGB-funded projects had achieved 1,481,276 tonnes of CO₂ emissions avoided annually, a sharp rise from 224,143 tonnes in 2023. Since this figure only reflects energy efficiency efforts, the total emissions reduction from all climate-related EUGB-funded measures is even higher.⁹ In China, between 2016 and 2021, a significant share of green bond investment was directed to clean transport, funding over 3,000 km of rail and subway construction.¹⁰ In 2021, renewable energy saw the highest growth.¹¹ As of the end of 2023, a total of USD 616.2 billion of labelled green bonds were issued in domestic and overseas markets, of which nearly USD 372 billion meets the Climate Bonds' green definition.¹² Green bond issuance in the EU and China has demonstrated its efficacy in mobilizing capital for sustainable projects. Not only are these two regions global leaders in developing the green bond market, but they are also two major trading partners for Vietnam.¹³ Therefore, examining the EU and Chinese law could offer valuable insights, contributing to the improvement of Vietnam's legal framework on green bonds.

By using comparative legal analysis, legal analysis methods, and policy-based reasoning, this article addresses three highly focused questions, reflecting the information needed for its primary objective.

8 Climate Bond Initiative (CBI) (2023). Sustainable debt – Global state of the market 2023, p. 5.

9 The climate impacts of measures financed by EUGBs are qualified through methodologies translating output from financed measures (e.g., MWh of solar panel capacity installed, km of railway upgraded) into greenhouse gas emissions avoided, presented in tonnes of CO₂ equivalent per year of emissions avoided. See: European Commission (2023). NGEU Report 2023: Green Bonds – Impact and Allocation report. p. 20, 21, 32; European Commission (2024). NGEU Report 2024: Green bonds – Impact and allocation report, p. 23, 25; European Securities and Markets Authority (2021). Investor protection: Environmental impact and liquidity of green bonds, *ESMA report on trends, Risks and Vulnerabilities*, No. 2/2021, p. 95.

10 CPI (2020). *The state and effectiveness of the green bond market in China*. p. 4. https://www.climatepolicyinitiative.org/wp-content/uploads/2020/06/The_State_and_Effectiveness_of_the_Green_Bond_Market_in_China.pdf

11 Climate Bonds Initiative, China Central Depository & Clearing Co., Ltd. (2022). *China green bond market report 2021*. Climate Bonds Initiative. <https://www.climatebonds.net/files/documents/publications/China-Green-Bond-Market-Report-2021.pdf>

12 Climate Bonds Initiative & CIB Economic Research and Consulting. (2023). China sustainable debt – State of the market report 2023. p. 2. https://www.climatebonds.net/files/reports/china_sustainable_debt_state_of_the_market_report_2023.pdf

13 Vu, N. H. (2025 January 16). Vietnam's trade performance in 2024: How to read the data. *Vietnam Briefing*. <https://www.vietnam-briefing.com/news/vietnams-trade-performance-in-2024-how-to-read-the-data.html>

These are as follows: (i) How do international standards, as well as the legal frameworks of the EU and China, stipulate the green bond eligibility criteria?; (ii) How does Vietnamese law prescribe the projects eligible to issue green bonds?; and (iii) What additional regulations are needed to improve the legal framework in Vietnam for determining the eligibility of projects issuing green bonds? To answer such questions, this article is built on the corresponding structure, with Section 1 analyzing international regulations, Section 2 evaluating Vietnamese legislation and its deficiencies, and Section 3 proposing legal recommendations regarding the criteria used to determine eligible green projects.

1. Eligibility criteria for green projects under green bonds: A comparative analysis of international standards, the EU, and China

1.1. Basis for determining green bond eligibility

A green bond is issued for financing projects and activities that help mitigate and adapt to climate change or other environmentally sustainable purposes.¹⁴ However, it is a debt security issued to raise capital and therefore cannot directly bring positive environmental impacts. Instead, its “green” nature is indirectly reflected through the issuer’s allocation of proceeds to environmentally beneficial projects. Thus, it is essential to ensure the green bond’s use of proceeds (UoP) is earmarked for green projects and a substantial proportion of the funds, commonly referred to as the “UoP threshold”, is dedicated to this purpose.¹⁵ If only the initial criterion is considered, issuers may not be obligated to allocate proceeds appropriately. This could lead to greenwashing, where bonds are labelled “green” while only a small portion of the proceeds are used for environmental purposes. To ensure that the green attributes are fully represented and to mitigate greenwashing, international standards and national laws typically require that projects seeking to raise financing through green bonds must meet two conditions regarding the project’s purpose and the UoP threshold.

1.2. Determining green bond eligibility within international standards

Regarding international green bond standards, the Green Bond Principles (GBP) represent a widely adopted framework established by

14 The World Bank Treasury, & PPIAF. (2015). *What are green bonds?* (Report No. 99662). World Bank Group. p. 23. <https://documents1.worldbank.org/curated/en/400251468187810398/pdf/99662-REVISED-WB-Green-Bond-Box393208B-PUBLIC.pdf>

15 Pfaff, N., Altun, O., & Jia, Y. (2021). *Overview and recommendations for sustainable finance taxonomies*. International Capital Market Association. p. 5. <https://www.icmagroup.org/assets/documents/Sustainable-finance/ICMA-Overview-and-Recommendations-for-Sustainable-Finance-Taxonomies-May-2021-180521.pdf>.

the ICMA to guide the issuance of green bonds.¹⁶ According to the GBP, the primary criterion for determining eligible projects is the green bonds' UoP, which focuses on disclosing the types of projects the proceeds will fund.¹⁷ The GBP classifies these eligible green projects into ten broad categories and issuers are encouraged to detail the green projects they will finance, with their corresponding criteria to define eligibility.¹⁸ Regarding the second criterion related to the UoP threshold, the GBP Guidance Handbook requires that GBP-aligned green bonds dedicate 100% of net proceeds to Green Projects.¹⁹ However, it should be noted that the proceeds used to determine the threshold are 'net proceeds', which are equal to the gross proceeds of the bonds minus costs directly linked to the issuance, such as legal, accounting, and verification fees.²⁰ By such provision, businesses are encouraged to participate in the green bond market as the costs associated with issuance are directly sourced from the bonds' proceeds without adding any financial burden to the issuing organization.

Climate Bonds Standard (CBS) is another international green bond standard globally used by bond issuers, governments, investors and the financial markets to prioritise investments and genuinely contribute to addressing climate change.²¹ The Standard requires that a minimum of 95% of net proceeds be allocated to finance projects that meet the Climate Bonds Sector Eligibility Criteria.²² Accordingly, CBS grants certification to debt instruments, assets or entities only when they meet both (i) sector-specific criteria and (ii) a 95% UoP threshold. A maximum of 5% of the proceeds of a certified debt instrument may be used to finance projects or assets that are not fully aligned with the eligibility criteria, provided that such projects/assets comply with the ICMA Green Bond Principles or the ICMA Social Bond Principles.²³

16 International Capital Market Association. (2025). The green bond principles. *Capital Market Association*. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-GBP/>

17 *Ibid*, pp. 3–4.

18 International Finance Corporation (2024). *Preparing for green bond issuances: A manual for financial institutions in Latin America and the Caribbean*. World Bank Group. p. 5. <https://www.ifc.org/content/dam/ifc/doc/2024/preparing-for-green-bond-issuances-manual-for-fis-in-lac-en.pdf>

19 International Capital Market Association. (2026). *The principles guidance handbook 2026*. section 2.1.4, p. 12. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/guidance-handbook-and-q-and-a/>

20 *Ibid*, p. 27.

21 Climate Bonds Initiative. (2024). *The standard*. <https://www.climatebonds.net/standard/the-standard>

22 Climate Bonds Initiative. (2025). *The climate bonds standard version 4.3*. section A.3.1.3, p. 19.

23 *Ibid*, section A.3.1.4, p. 19.

Overall, the ICMA's GBPs and the CBI's Climate Bonds Standard are aligned with each other.²⁴ However, the CBS goes a step further than the GBP by requiring the issuer to include physical assets associated with the green bond,²⁵ disclose environmental and social aspects of the projects, and ensure that proceeds are not contaminated by environmentally inconsistent activities. These stricter requirements under the CBS v4.3 carry major practical implications for securing the credibility of green debt instruments.²⁶ By demanding the tracking of physical assets rather than relying on abstract financial accounts, CBS directly addresses the issue of the "fungibility of proceeds".²⁷ In transitional markets, loose tracking can lead to "capital leakage", a loophole where issuers formally allocate proceeds to a green project on paper, while using the freed-up internal cash reserves to fund carbon-intensive ('brown') activities.²⁸ Furthermore, the mandatory disclosure of environmental and social aspects ensures that projects do not trigger a reputational crisis. For instance, a renewable energy project that is environmentally sound but socially harmful, such as a solar farm constructed on contested local lands, would undermine the holistic integrity of the green bond.²⁹ Therefore, the CBS framework prevents green bonds from being treated as mere nominal commitments, transforming them into highly verified instruments of sustainable transition.³⁰

1.3. Determining the eligibility of green bonds under EU regulations

In the context of EU regulations, the determination of projects eligible for green bond issuance is also based on the two primary criteria. According to the European Green Bond Standard (EuGBS),³¹ proceeds of the EU green bond (EuGB) must adhere to certain allocations to environmentally sustainable economic activities aligned with the Taxonomy Regulation. Unlike the GBP, which defines the list of

24 Gilotta, S. (2024). Green bonds: A legal and economic analysis. In T. Kuntz (Ed.), *Research handbook on environmental, social and corporate governance* (pp. 217–238). Edward Elgar Publishing. p. 19. <https://doi.org/10.4337/9781802202533.00020>

25 The CBS requires issuers to document the specific assets to which the proceeds of the bonds are to be applied. See: Climate Bonds Initiative. *Climate Bonds Standard & Certification Scheme* (n 83) 12–13. As described above, the GBP requires issuers to describe a green project but not specific assets.

26 Freeburn, L., Ramsay, I. (2020). Green bonds: Legal and policy issues. *Capital Markets Law Journal*, 15(4). p. 415–442. <https://doi.org/10.1093/cmlj/kmaa018>

27 Rose, P. (2018). Certifying the 'Climate' in climate bonds. *Capital Markets Law Journal*, 14(01). p. 38–55. <https://api.semanticscholar.org/CorpusID:219362587>

28 Freeburn, L., n.d. (2020), *supra* note 26, p. 420.

29 Rose. (2018), *supra* note 27, p. 45.

30 *Ibid*, p. 48.

31 EU (2023). Regulation 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

eligible projects in the form of a list, the EU Taxonomy Regulation establishes a set of criteria that enable an economic activity to be classified as environmentally sustainable according to objective criteria.³² The “all or nothing” approach to defining a green project, which exclusively considers activities that are “completely green” and does not permit “green labeling” if any of the requisite conditions are absent, reflects the EU’s objective of providing certainty and clarity in the market.³³ However, this method has faced criticism for its failure to classify projects based on the degree of impact on each environmental goal. Consequently, any economic activity deemed incompatible with even one of the six established conditions will be classified as “environmentally unfriendly.”³⁴

Another core principle of the EuGBS is that bonds wishing to claim the label of “EuGB” must allocate at least 85% of proceeds to projects aligned with the EU Taxonomy.³⁵ This regulation offers some flexibility in how the proceeds from EuGB can be used, permitting issuers to reinvest up to 15% of the remaining funds into other business activities that are not yet covered by the Taxonomy. Under Article 5 of the European Green Bond Regulation (Regulation (EU) 2023/2631), this 15% ‘flexibility pocket’ is specifically designed to address the problem of regulatory and technical incompleteness within the EU Taxonomy.³⁶ The EU Taxonomy is a highly detailed, science-based classification system, and technical screening criteria (TSC) have not yet been finalized or put into force for all economic sectors or activities.³⁷ If 100% Taxonomy alignment were strictly mandated from the outset, it would create an immediate market bottleneck, locking out issuers in transitional sectors or those implementing innovative technologies.³⁸ Therefore, the 15% flexibility pocket is not a general-purpose fund; rather, it is strictly restricted to economic activities that lack finalized TSCs but still make a substantial contribution to at least one of the EU’s six environmental objectives, do no significant harm to any other, and comply with Article

32 EU (2020). Regulation 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation 2019/2088 (EU Taxonomy Regulation).

33 Sotiropoulou, A. (2022). L’investissement durable dans le droit de l’Union européenne. *Revue des Affaires Européennes*, 02, p. 251.

34 Möllers, T. M. J. (2022). European green deal: Greenwashing and the forgotten good corporate citizen as an investor. *Columbia Journal of European Law*, 28 (02), pp. 221–23.

35 Article 5 (1) of the EU Green Bonds Standard.

36 *Ibid.*

37 Pyka, M. (2023). The EU Green Bond Standard: A plausible response to the deficiencies of the EU green bond market?. *European Business Organization Law Review*, 24(04), pp. 629–653. <https://doi.org/10.1007/s40804-023-00278-2>

38 *Ibid.*, p. 635.

18 minimum safeguards.³⁹ This flexibility pocket is highly beneficial to multiple market participants.⁴⁰ Issuers, particularly small and medium-sized enterprises (SMEs), benefit from reduced administrative burdens and compliance costs, preventing technical deadlock during project appraisal.⁴¹ Investors benefit from a broader and more diverse pool of eligible transitional assets, enabling them to construct balanced sustainable portfolios.⁴² Regulators, meanwhile, successfully maintain the feasibility and scalability of the market, ensuring that the prestigious “EuGB” label remains attractive without compromising the overall environmental integrity of the Union’s financial framework.⁴³

1.4. Determining the eligibility of green bonds under Chinese regulations

China seeks to unify domestic green bond standards and increase compatibility with international standards in determining eligible green projects. Specifically, the Green Bond Endorsed Project Catalogue (2021 Edition)⁴⁴ (the 2021 Catalogue) is structured as a sector-specific project list with detailed technical specifications to assess the “greenness” of a project. Compared to the 2015 Catalogue previously issued, the 2021 Catalogue ensures the alignment of Chinese legal regulations and promotes the harmonization of domestic and international green standards by excluding controversial projects from the list of eligible projects.⁴⁵ Alongside this Catalogue, China also introduced the China Green Bond Principles (CGBP), which require the minimum UoP threshold of eligible green projects to be 100% of the net proceeds.⁴⁶ Previously, China had set a relatively low minimum threshold of just 70%, raising concerns about the misuse of raised funds and the risk of

39 Commission Notice on the interpretation and implementation of certain legal provisions of the European Green Bond Regulation, C/2025/5885, OJ C, 6.11.2025, Question 9.

40 Pyka, M. (2023), *supra* note 37.

41 *Ibid*, p. 641.

42 *Ibid*, p. 642.

43 Krasteva-Hristova, R., Georgieva, V. (2026). Green bond market development and fiscal sustainability in the EU: Drivers of market entry and depth. *Journal of Risk and Financial Management*, 19(7), 545. p. 3–4. <https://doi.org/10.3390/jrfm19070545>

44 People’s Bank of China, National Development and Reform Commission, & China Securities Regulatory Commission. (2021). *Green Bond Endorsed Projects Catalogue (2021 Edition)*. <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4342400/2021091617180089879.pdf>

45 The 2015 Catalogue included coal projects such as ‘clean’ coal use, coal-fired power, coal mining and coal washing. However, these projects came in for criticism as for mainstream international investors, fossil fuels simply could not be green or clean. As a result, the 2021 Catalogue has removed these controversial coal investments. This move has been praised widely for bringing China into closer alignment with international standards. See: Gao, B. (2020 July 10). China’s new green bond catalogue could be greener. *Dialogue Earth*. <https://dialogue.earth/en/business/chinas-new-green-bond-catalogue-could-be-greener/>

46 China Green Bond Standards Committee (2022). *China green bond principles*. p. 9. <https://www.nafmii.org.cn/ggzt/gg/202207/P020220801631427094313.pdf>

greenwashing.⁴⁷ The adjustment to a 100% allocation has significantly improved the average compliance rate of Chinese green bonds with international standards, reaching over 98% by 2023.⁴⁸ This change addresses the technical discrepancies between domestic and international green bond standards, aligning China's green definition with international ones. On the one hand, it shows China's strong willingness to work with the global community to promote green development and respond to climate change; on the other hand, this can boost the confidence of international investors and increase their willingness to buy Chinese green bonds.⁴⁹

Overall, international standards and national frameworks establish two cumulative requirements that must be met simultaneously to determine green bond eligibility: (i) the environmental purpose of the funded projects and (ii) the minimum UoP allocation threshold.⁵⁰ Because the 'green' quality of a bond is represented indirectly through its financial allocation, these two requirements are indivisible and mutually reinforcing.⁵¹ To understand their dialectical relationship, consider two counterfactual scenarios.⁵² If a bond satisfies the environmental purpose requirement (e.g. funding a solar farm) but fails to meet the minimum allocation threshold, for instance, by spending only 10% of proceeds on the green asset and diverting the remaining 90% to general corporate debt or carbon-intensive activities, the green label becomes purely nominal.⁵³ This represents "symbolic greenwashing", where a minor environmental project is used as a reputational shield to raise low-cost capital for unsustainable corporate activities.⁵⁴ Conversely, if a bond meets a 100% allocation threshold but the underlying projects fail to meet rigorous technical screening criteria – such as controversial "clean coal" projects that continue to generate high carbon emissions – the bond fails to achieve genuine environmental benefits.⁵⁵ This

47 Lin, L., & Hong, Y. (2021). Developing a green bonds market: Lessons from China. *European Business Organization Law Review*, Vol 23, p. 167. <https://doi.org/10.1007/s40804-021-00231-1>

48 Climate Bond Initiative and CIB Economic Research and Consulting (2023), *China Sustainable debt - State of the market report 2023*, p. 8. https://www.climatebonds.net/files/reports/china_sustainable_debt_state_of_the_market_report_2023.pdf

49 Guo, P., Liu, Y., Wu, Y., & Guan, G. (2020). China's new green catalogue: Harmonizing standards. *SynTao Green Finance*, p. 4. https://www.sbfnetnetwork.org/wp-content/assets/policy-library/481_China_Chinas-new-green-catalogue.pdf

50 Freeburn, L. et al. (2020), *supra* note 26, pp. 415–422.

51 *Ibid*, p. 418.

52 *Ibid*, p. 422.

53 Kuchin, I. et al. (2019). Does green bond placement create value for firms?. *Higher School of Economics Research Paper*, 101, p. 17.

54 Freeburn, L. et al. (2020), *supra* note 26, p. 425.

55 Kuchin, I. et al. (2019). *supra* note 53, p. 19.

constitutes ‘structural greenwashing,’ typically arising from weak or compromised green taxonomy definitions.⁵⁶ Therefore, a credible green bond cannot rely on either requirement in isolation; both the qualitative environmental purpose and the quantitative UoP threshold must be satisfied concurrently to protect market transparency and investor trust.⁵⁷

2. Regulations on the criteria for determining eligible green projects funded by green bonds under Vietnamese law

The regulatory framework governing green bonds in Vietnam is a hybrid system comprising securities regulations and environmental protection laws.⁵⁸ As debt securities, green bonds are subject to regulation under the Law on Securities 2019 No.54/2019/QH14, and Decree No. 200/2026/ND-CP (which governs the offering and trading of private corporate bonds).⁵⁹ Concurrently, because these bonds mobilize capital for environmentally sustainable investments, with the broader objective of reducing adverse ecological impacts, they must comply with environmental legislation, primarily the Law on Environmental Protection (LEP) 2020 and its guiding decrees.⁶⁰

Since 2012, the legal framework regulating green bonds in Vietnam has been gradually enhanced, based on the directives of the Vietnam Communist Party and the State.⁶¹ The Law on Environmental Protection 2020⁶² (LEP 2020) and Decree 08/2022/ND-CP⁶³ on the elaboration of several Articles of the Law on Environmental Protection (Decree 08/2022) have now included foundational regulations such as the definition of green bonds,⁶⁴ principles for issuing and using funds raised from green bonds,⁶⁵ requirements for reporting and disclosing information before and after the issuance,⁶⁶ and regulations on incentive

56 *Ibid*, p. 21.

57 Freeburn, L. et al. (2020), *supra* note 26. p. 430.

58 Luu, Q. T. (2022). Trái phiếu xanh: Công cụ tài chính hỗ trợ chính sách phòng ngừa biến đổi khí hậu - Kinh nghiệm thế giới và thực trạng pháp luật Việt Nam. *Tạp chí Khoa học pháp lý Việt Nam* [Green bonds: A financial tool supporting climate change prevention policies - International experiences and the current state of Vietnamese law. *Vietnamese Journal of Legal Sciences*], 07, pp. 45-58.

59 Article 12 of the Decree No. 200/2026/ND-CP of the Government dated June 5, 2026, on the offering and trading of private corporate bonds in the domestic market and the offering of corporate bonds to the international market.

60 Environmental legal instruments include: Law on Environmental Protection 2020 No. 72/2020/QH14; Decision 1658/QĐ-TTg 2021; Decree 08/2022/ND-CP.

61 Luu, Q. T. (2022), *supra* note 58, p. 47.

62 Law on Environmental Protection No. 72/2020/QH14.

63 Decree No. 08/2020/ND-CP, dated January 10th 2022, on elaborating several Articles of the Law on Environmental Protection.

64 Article 150.1 of the LEP 2020; Article 157.1 of the Decree 08/2022.

65 Article 150.2 of the LEP 2020; Article 157 of the Decree 08/2022.

66 Article 150.3 of the LEP 2020; Article 157 of the Decree 08/2022.

entitlement as prescribed by law.⁶⁷ The definition of green bonds, the principles of issuance and utilisation of proceeds raised from green bond issuance under Vietnamese law are similar to those in international green bond standards, EU law and Chinese law.

Accordingly, green bonds are bonds issued by the government, local authorities, or enterprises under regulations on bonds to raise capital for environmental protection activities and investment projects that offer environmental benefits.⁶⁸ Green bond proceeds must be segregated and tracked in compliance with applicable bond regulations.⁶⁹ Article 150.2 of LEP 2020 provides a broad taxonomy of eligible green projects, including renewable energy, waste management, and circular economy initiatives,⁷⁰ which exhibits high compatibility with international frameworks like the GBP, EuCBS, CGBP and AGBS.⁷¹

However, prior to 2025, Vietnam suffered from a critical regulatory gap: the absence of technical screening criteria and the lack of a standardized statutory verification mechanism.⁷² While early market issuances, such as EVNFinance's green bonds in 2022 and BIDV's green bonds in 2023, successfully aligned with international standards like ICMA's GBP or the ASEAN Green Bond Standards, they were legally classified as standard 'vanilla' bonds under Vietnamese law. Consequently, these issuers were unable to access domestic state-level preferential policies, illustrating how the regulatory lag stifled early market growth.⁷³

This bottleneck was substantially resolved with the issuance of Decision No. 21/2025/QĐ-TTg of the Prime Minister (promulgated July 4, 2025, effective August 22, 2025), which officially established Vietnam's National Green Taxonomy.⁷⁴ Decision No. 21/2025/QĐ-TTg details environmental criteria across 7 major sectors and 45 specific

67 Article 150.4 of the LEP 2020; Article 157.8 of the Decree No. 08/2022.

68 Article 150.1 of the LEP 2020.

69 Article 154.1 of the Decree 08/2022.

70 The list includes Renovation and upgrading of environmental protection works; Technological changes towards applying the best available techniques; Application of circular economy, green economy, low-carbon emissions; Prevention and minimization of environmental pollution; Restoration and rehabilitation of the environment after environmental incidents; Efficient use of natural resources, land resources, energy saving, development of renewable energy sources; Construction of multi-purpose, environmentally friendly infrastructure; Effective management of water resources and wastewater treatment; Adaptation to climate change, investment in natural capital development; Other investment projects as prescribed.

71 Mai, T. D., Lai, V. M., & Ta, D. B. (2023). Xây dựng danh mục phân loại xanh cho Việt Nam phù hợp với các nguyên tắc và tiêu chuẩn quốc tế. *Tạp chí Môi trường* [Building a green taxonomy for Vietnam aligned with international principles and standards. *Environment Magazine*], No. III/2023, p. 71.

72 Luu, Q. T. (2022), *supra* note 58, p. 50.

73 Trang Mai. (2024 April 3). *supra* note 7.

74 Decision No. 21/2025/QĐ-TTg of the Prime Minister July 4, 2025, on the promulgation of regulations on environmental criteria and confirmation of investment projects under the green taxonomy.

project types, providing precise technical benchmarks (e.g. requiring green building certifications like LOTUS or LEED, water loss thresholds below 15% for new supply systems, and compliance with national emission standards).⁷⁵ Furthermore, the Decision mandates a dual verification pathway: projects can be confirmed either by competent state authorities (integrated within the Environmental Impact Assessment or environmental licensing process) or through licensed independent third-party verification bodies.⁷⁶ To ensure professional rigor, independent verifiers must meet strict international standards, including TCVN ISO/IEC 17029:2020, ISO/IEC 17029:2019, or comply with the International Standard on Assurance Engagements (ISAE 3000).⁷⁷

Together with the National Green Taxonomy, the Government enacted Decree No. 200/2026/ND-CP (effective June 5, 2026), which replaced the previous Decree 153/2020/ND-CP, Decree 65/2022/ND-CP, and Decree 08/2023/ND-CP.⁷⁸ Decree No. 200/2026/ND-CP introduced a formal statutory definition of “corporate green bonds” and established robust rules for cash flow management.⁷⁹ Under this decree, green bond proceeds must be strictly segregated, tracked in separate accounts, and utilized exclusively for projects certified under the National Green Taxonomy or other recognized environmental purposes.⁸⁰ Crucially, to protect investor interests and market integrity, any proposed modification to the use of proceeds must be approved by a supermajority of at least 65% of the outstanding bondholders, and issuers must offer a mandatory early redemption (buy-back) mechanism for dissenting bondholders.⁸¹

Despite these landmark legislative advances, a significant legal gap remains: neither the LEP 2020, Decree No. 08/2022/ND-CP, nor Decision No. 21/2025/QD-TTg codify a quantitative minimum UoP allocation threshold.⁸² The practical consequences of this omission are severe.⁸³ In the absence of a legally binding minimum allocation percentage, domestic issuers can technically label their bonds as ‘green’ even if only a nominal fraction of the capital (e.g. 5%) is spent on

75 Decision No. 21/2025/QD-TTg, Annex issued therewith.

76 Article 5 of the Decision No. 21/2025/QD-TTg.

77 Article 6 of the Decision No. 21/2025/QD-TTg.

78 Article 1 of the Decree No. 200/2026/ND-CP.

79 Article 4 of the Decree No. 200/2026/ND-CP.

80 Article 14 of the Decree No. 200/2026/ND-CP.

81 Article 15 of the Decree No. 200/2026/ND-CP.

82 Luu, Q. T. (2022), *supra* note 58. p. 52.

83 *Ibid*, p. 53.

green assets, while the rest is directed to conventional operations.⁸⁴ This regulatory loophole creates an environment ripe for symbolic greenwashing and ‘adverse selection,’ where low-standard issuers crowd out genuine green projects.⁸⁵

Moreover, this regulatory gap severely damages the confidence of international institutional investors. Global funds, particularly those in the EU subject to strict mandates like the Sustainable Finance Disclosure Regulation (SFDR), perceive markets without quantitative UoP thresholds as high-risk jurisdictions.⁸⁶ Consequently, Vietnam risks being excluded from international green capital pools, which is a major concern given the nation’s immense funding requirement, estimated at USD 368 to 380 billion, to achieve its net-zero transition by 2050.⁸⁷

3. Recommendations for strengthening Vietnam’s green bond framework

To complete the sustainable finance legal framework in Vietnam, this article proposes that the eligibility of green bonds must be established upon two concurrent pillars: a robust, science-based Green Taxonomy and a legally binding, calibrated UoP threshold.⁸⁸

3.1. Enhancing and Harmonizing the Vietnam Green Taxonomy

Developing and finalising a Green Taxonomy aligned with international green bond standards is essential.⁸⁹ The official launch of the National Green Taxonomy under Decision No. 21/2025/QĐ-TTg is a landmark step, but to remain effective and attractive to global capital, it must be periodically updated and aligned with international standards.⁹⁰

To mitigate concerns regarding political sovereignty while ensuring global interoperability, Vietnam should engage relevant international standard-setting bodies (such as ICMA and CBI) and technical experts through transparent technical consultation mechanisms during its periodic taxonomy reviews. Consequently, Vietnam should establish a

84 *Ibid*, p. 54.

85 *Ibid*, p. 55.

86 *Ibid*, p. 56.

87 Dung, N. P., Hanh, V. T. (2025). EU–ASEAN Green Bond Policies: A Legal Comparative Review and Their Implications for Sustainable Finance Development in ASEAN. *Prophetic Law Review*, 7(02), pp. 226–255.

88 As mentioned in subsection 1.2, 1.3 and 1.4, most international standards and domestic regulations require green bonds to meet two key criteria for the use of proceeds.

89 China’s experience highlights the importance of developing and refining the Green Taxonomy to align with international green bond standards. Compared to the 2015 Catalogue, the 2021 Catalogue has removed these controversial coal investments, bringing China domestic criteria into closer alignment with international standard. See more at: See more at: Guo, P., et al. (2020). China’s new green catalogue: harmonizing standards. *SynTao Green Finance*. https://www.sbfnet-work.org/wp-content/assets/policy-library/481_China_Chinas-new-green-catalogue.pdf

90 Decision No. 21/2025/QĐ-TTg.

standing technical advisory panel composed of both domestic ministries and international sustainable finance experts. This panel would conduct technical reviews of Vietnam's screening criteria against the EU Taxonomy or the Common Ground Taxonomy.⁹¹ This collaborative, consultative approach would significantly enhance the international credibility of Vietnamese green bonds, facilitating their integration into regional portfolios and attracting major green funds from partners like the EU under the EU-Vietnam Free Trade Agreement.⁹²

3.2. Supplementing provisions regarding the allocation threshold of proceeds to eligible green projects

Examining international standards and the experiences from the EU and China, this article has demonstrated the importance of establishing regulations on the UoP threshold as a mandatory criterion for identifying green bonds and eligible green projects. International standards and domestic laws generally require extremely high minimum UoP threshold: 100% by the GBP,⁹³ 95% by the CBS,⁹⁴ 100% by the CGBP,⁹⁵ and 85% by the EuGBS.⁹⁶

To protect the integrity of the market and eliminate the risk of greenwashing, Vietnam must urgently amend its green finance regulations to introduce a legally defined UoP minimum threshold. Vietnam should introduce a legally defined UoP requirement where the appropriate threshold is calibrated according to the specific architecture of the National Green Taxonomy and the verification mechanisms under Decision No. 21/2025/QĐ-TTg. This calibrated threshold must be supported by the strict separate accounting principles mandated by Decree No. 200/2026/ND-CP.

In addition, Vietnam should consult with international standard-setting bodies like ICMA and ESMA to refine the legal definitions of “net proceeds”, allowing issuance-related administrative and verification costs to be deducted from gross proceeds, thereby reducing the financial burden on SME issuers.⁹⁷ By establishing a legally enforceable, calibrated quantitative threshold, Vietnam will provide a powerful signal

91 International Platform on Sustainable Finance (2024). *Common Ground Taxonomy Activity Tables - Updated November 2024*. https://finance.ec.europa.eu/document/download/e8b45347-c1b0-4191-80d8-d1d6138107fc_en?filename=241113-common-ground-taxonomy-bilateral-activity-tables_en.pdf&prefLang=ga

92 Han, P, Farhad, T. -H, & Fukunari, K. (2023). *Green Finance and Renewable Energy in ASEAN and East Asia* (1st ed.). Routledge. pp. 210-212.

93 ICMA (2026). *Supra* note 22. section 2.1.4, p. 12.

94 CBI (2025). *The Climate Bonds Standards version 4.3*. section A.3.1.3. p. 19.

95 Article 2.1 of the China Green Bond Principles.

96 Article 5.1 of the EU Green Bonds Standard.

97 ICMA (2026). *supra* note 22. p. 16.

of market transparency, bridging the gap with global standards and successfully accelerating the mobilization of international green finance. Consequently, determining a reasonable UoP threshold necessitates careful consideration.

Along with other financial instruments, green bonds are a potent mechanism for promoting the sustainable development goals articulated in Decision No. 1658/QĐ-TTg.⁹⁸ Therefore, Vietnam must urgently address its remaining regulatory gaps to utilise green bonds most effectiveness. The primary priority is to formally codify a legally binding, calibrated UoP threshold within the environmental protection framework to ensure that capital is substantively channeled to certified green assets and to eliminate the risk of symbolic greenwashing. Additionally, the regulatory authorities should collaborate with international standard-setting bodies to enhance independent third-party verification and establish robust post-issuance monitoring mechanisms. Given the economy's need for considerable capital to support the green transition, strategically leveraging financial instruments to mobilize societal resources, especially foreign investment, is a noteworthy solution for Vietnam. ●

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⁹⁸ Article 1.2(d) of the Decision 1658/QĐ-TTg 2021 the National Strategy on Green Growth in 2021 - 2030.

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Author Contribution

All authors contributed to the study conception and design. All authors read and approved the final manuscript.

Declarations

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