

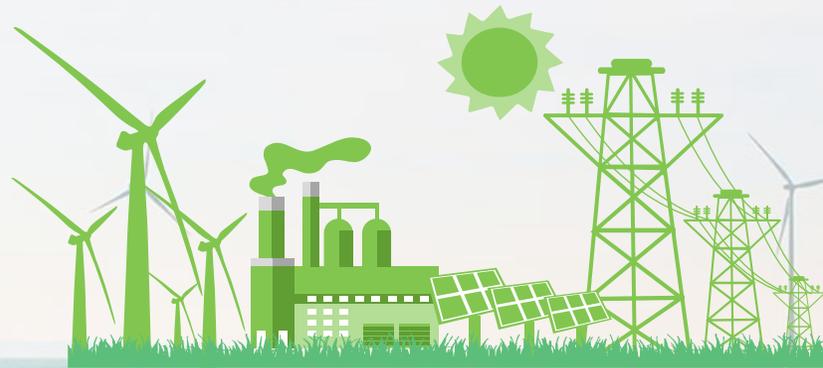
GREEN FINANCE POLICY

TO SUPPORT THE ACHIEVEMENT OF NET-ZERO TARGET BY 2050

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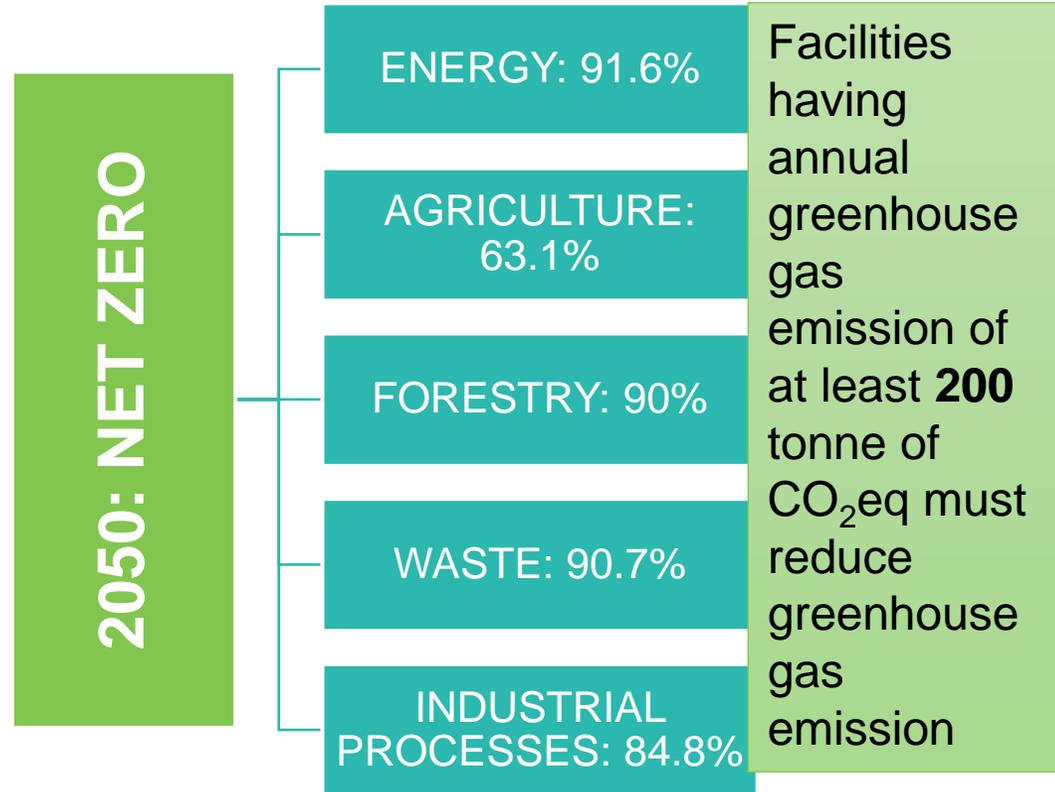
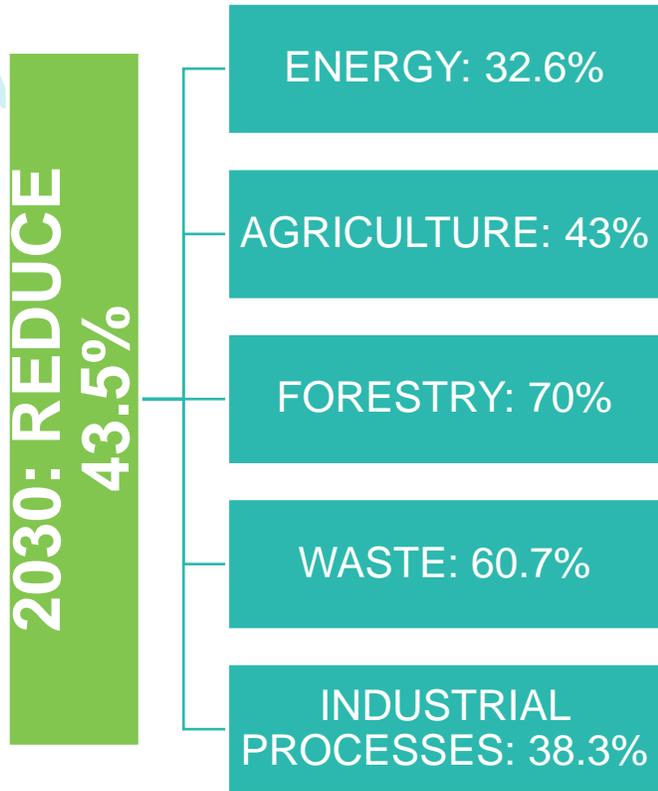
05 RECOMMENDATIONS



NET ZERO TARGET BY 2050

National Strategy on Climate Change until 2050 (Decision No. 896/QĐ-TTg dated 26 July 2022)

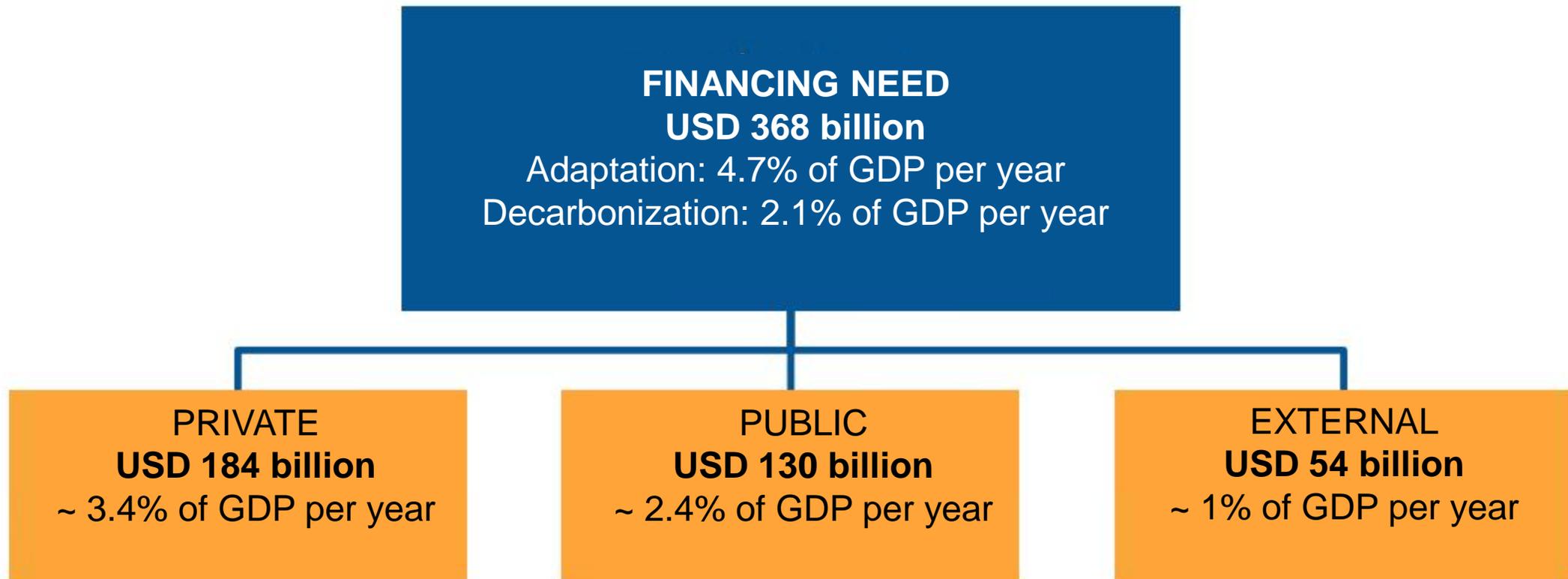
TARGET: LOWER GREENHOUSE GAS EMISSIONS



Facilities having annual greenhouse gas emission of at least **2,000** tonne of CO₂eq must reduce greenhouse gas emission



FINANCING NEEDS

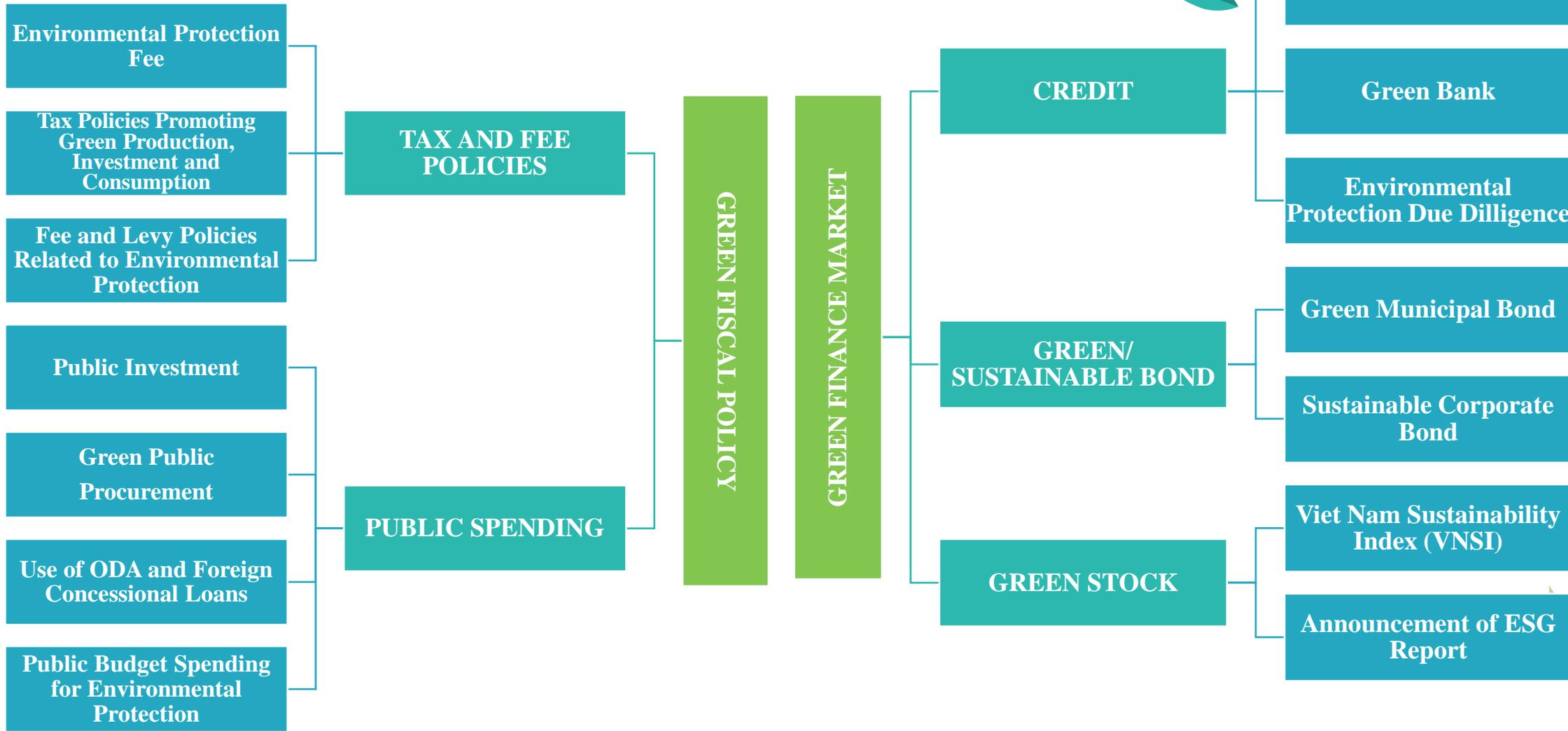


Source: WB (2022) Viet Nam: Climate and Development Report



STATUS OF GREEN FINANCE POLICIES

GREEN FINANCE POLICY



TAX AND FEE POLICIES



The recent “GREENING” tax policy system of Viet Nam aimed towards two following pillars:

- (i) To encourage and support good behaviors and practices towards green production and consumption;
- (ii) Restrict behaviors damaging the environment on the principle of “polluter pays”.

ENVIRONMENTAL PROTECTION FEE

- 2012-2020: the revenue of environmental protection fee has increased more than 5.4 times.
- By 2020, the revenue of environmental protection fee is estimated to account for approx. 4.55% of the total state budget revenue

TAX POLICY PROMOTING GREEN PRODUCTION AND INVESTMENT

- **CORPORATE INCOME TAX (CIT)**
 - Tax incentives on enterprises' income from environmental protection projects
- Exemption of CIT for incomes sourced from transferring certificates of emissions reduction (CER) of the enterprises granted CER;
- **IMPORT AND EXPORT TAX**
 - To encourage the import of (raw) materials with priority given to those which domestic sources do not meet the country's demand; attach significance to developing high and core technologies, and energy efficiency (EE)
- **NATURAL RESOURCES TAX**
 - Indirect tax, and taxes applied to products extracted from natural resources
 - Taxable subjects include metal minerals; non-metal minerals; crude oil, natural gas, coal gas, etc.

TAX AND FEE POLICIES



Annual excise tax revenue

accounts for 8%-9% of the

total state budget revenue and

1.8% - 2.6% of GDP.

Of the excise tax revenue, the

tax amount from petroleum

products, automobiles,

tobacco and alcohols

represents the highest

proportion.

TAX POLICY PROMOTING GREEN CONSUMPTION

• EXCISE TAX

- For passenger automobiles, tax rates are specified based on cylinder capacity and type of fuel used in order to encourage the efficient use of fuel and environmental pollution mitigation.
- For fossil-fueled automobiles, the tax rates are specified in the range between 40% and 150%, depending on their cylinder capacity.
- The excise tax rates for less environmentally harmful products such as electric/ solar-powered vehicles are entitled to enjoy a tax rate of 50% and 70% of the excise tax rates applicable to the same type of automobiles fueled by gasoline.

FEE POLICY

- Viet Nam is currently applying environmental protection tax for wastewater and mining activities.

GREEN PUBLIC SPENDING



PUBLIC INVESTMENT

Finalize the regulatory framework on public investment

Majority of the financial sources are for investment in infrastructure, including energy infrastructure

Policies on attraction of non-state investment funds for investment in form of public-private partnership (PPP) and promotion of mobilizing social resources in public investment

GREEN PUBLIC PROCUREMENT

Encourage the procurement of green products, especially by introducing mandatory regulations on procuring energy-efficient products

Energy Labelling



GREEN PUBLIC SPENDING



USE OF ODA AND CONCESSIONAL LOANS

SPENDING FOR ENVIRONMENTAL PROTECTION

Prioritized areas

(1) Develop adequate, complete and modern infrastructure;

(2) Study and develop policies on socio-economic and cultural development, and strengthen state management capacity;

(3) Develop human resources, promote scientific researches and technology development;

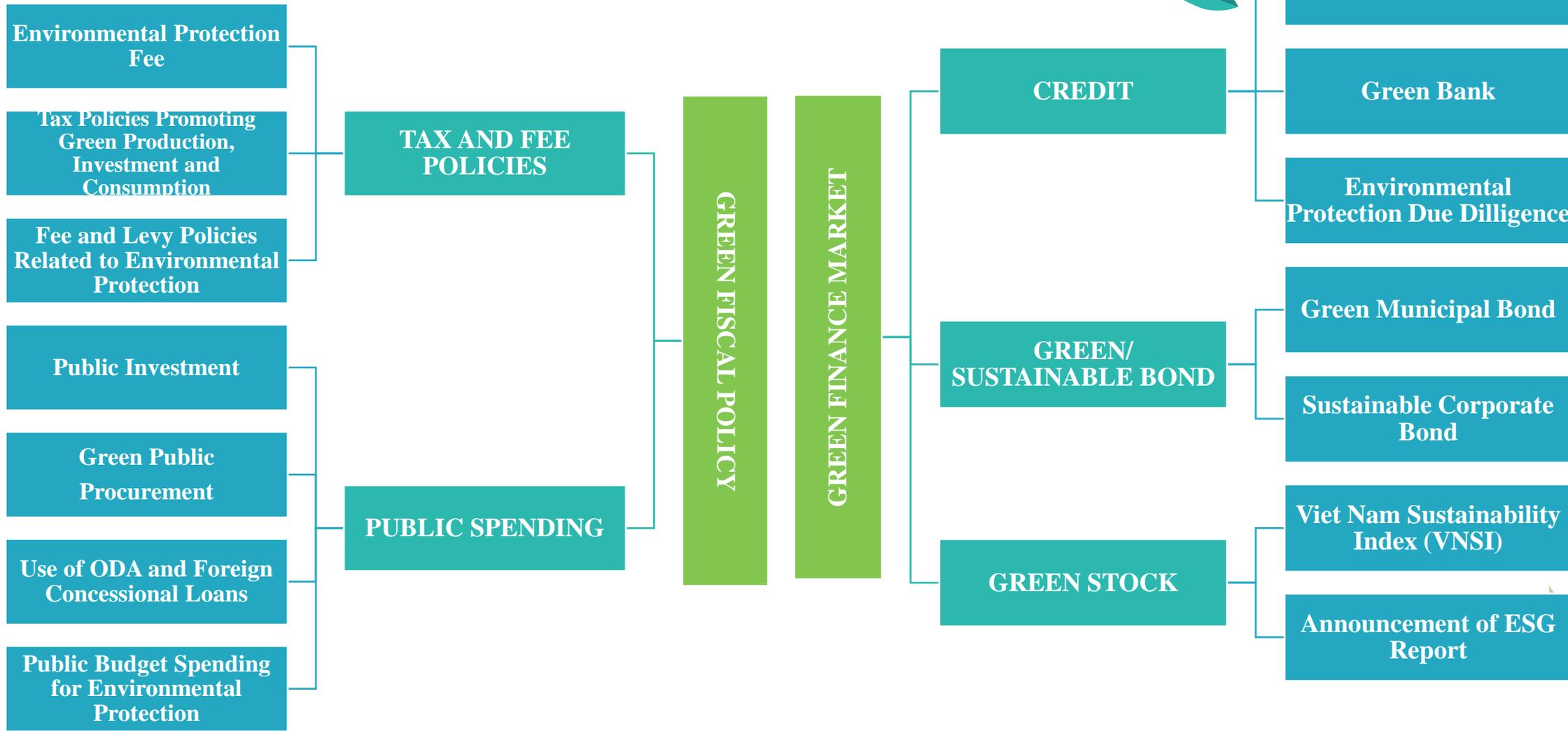
(4) Support to environmental protection, response to climate change and implementation of green growth strategy

Prioritized localities

Spending for environmental protection with expenditure of not less than 1% of the total balanced expenditure of the state budget



GREEN FINANCE POLICY



REGULATORY FRAMEWORK FOR DEVELOPMENT OF GREEN FINANCE MARKET

Law on Environmental Protection of 2020: Green bonds include government bond, municipal bond and corporate bond issued for mobilization of capital for environmental protection activities and investment projects that benefit the environment.



Decree No. 08/2022/ND-CP guiding the implementation of the Law on Environmental Protection and specifying the issuance of green bonds

2015: Ministry of Finance (MOF) introduced Decision No. 2183/QD-BTC on the action plan for the implementation of the National Strategy on Green Growth until 2020



2018: Decree No. 163 on corporate bond which recognized green bond; Decree No. 95/2018/ND-CP regulating terms and conditions on issuing, registering, depositing, listing and trading green government bonds.



2020: The Financial Strategy until 2030 specifies tasks of establishing green financial instruments, diversifying products and developing green bonds to mobilize funds for environmental protection projects

ACHIEVEMENTS IN GREEN BOND MARKET DEVELOPMENT

2016: Scheme on pilot issuance of green municipal bonds



2017: The bond market development roadmap during 2017-2020, with a vision toward 2030 (Decision 1191/QD-TTg dated 14 August 2017)



2018: Decree 95/2018/ND-CP providing the issuance, registration, depositing, listing and trading of green government bonds

In 2021-2022, along with a number of countries in the region, Viet Nam's sustainable debt capital market achieved a significant growth, total GSS reached USD 1.5 billion in 2021.



Viet Nam became the second largest source of green debt issuance in ASEAN after Singapore.



In July 2022, EVNFinance issued VND 1,725 tỷ billion of green bonds with 10-year maturity and an interest rate of 6.7%/yr, partially guaranteed by GuarantCo – a multinational guarantee service company.

GREEN STOCK MARKET DEVELOPMENT

2015: Established a green finance framework for capital markets



2017: Developed and introduced Vietnam Sustainability Index (VNSI)



2020: Circular 96/2020/TT-BTC providing guidelines on disclosure of information on securities market with new requirements for ESG report.

KẾT QUẢ

A good foundation for green stock market development



VNSI has been active for 5 years, motivating listed companies to implement this index



Encourage listed companies to pay more attention to ESG sustainability reports

GREEN CREDIT MARKET

2015: Decision 1552/QD-NHNN introducing the action plan of the banking sector until 2020

2015: Directive 03/CT-NHNN on promoting green credit growth and environmental – social risks management in credit granting activities

2018: Decision 1604/QD-NHNN approving the scheme for green banking growth in Vietnam (Scheme 1064)

2020-2025: Decision 34/QD-NHNN issuing on the action plan of the banking sector until 2025, orientation towards 2030.

Green credit balance has grown steadily over the years, from more than 71.02 trillion VND at the end of 2015 (accounting for 1.5% of the total outstanding loans of the whole system) to more than 440,000 billion VND (accounting for more than 4.2% of the total outstanding loans of the economy) at the end of 2021.



Green credit balance is allocated to green agriculture and mainly to long-term credit.



The green credit structure is shifting from sustainable water management in urban and rural areas to renewable energy and clean energy.



ISSUES CONCERNED

PUBLIC SPENDING



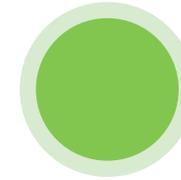
PUBLIC INVESTMENT

- Slow disbursement
- Wastes, losses, inefficiency
- Institutional quality
- Limited PPPs



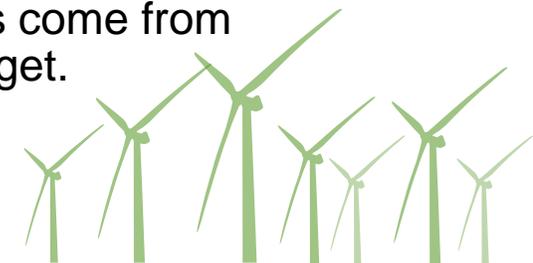
GREEN PUBLIC PROCUREMENT

- Habits
- Lack of a monitoring mechanism
- Lack of legal guidance
- Limited resource
- Unavailable incentive mechanism
- Limited use of green labels



SPENDING FOR ENVIRONMENTAL PROTECTION

Inefficient and unfocused spending;
Incomplete disbursement at the end of the year, leading to the change of funding sources or removal of budget estimates;
Slow progress in mobilization of social resources for environmental protection. Most of social resources come from state budget.





TAX POLICIES

Need to improve efficiency in regulating the behavior of market participants

Environmental protection fee for exhaust gases regulated since 2014 but not enforced yet

Adjust the method of allocation and use of revenues from taxes and fees related to the implementation of green growth targets



ISSUES CONCERNED

GREEN FINANCE MARKET

BOND

A low issuance frequency and a slower growth rate than some markets in the region

Lack diversity in terms of project types, industries and issuers

STOCK

Investing in green stocks through VNSI is said to have a low weight

CREDIT

Green credit is mainly from big banks. Only few projects have been granted green credit.

Enterprises face many difficulties with green credit requirements, long green credit application period, complicated loan procedures and lack of collateral.

Banks' balance sheets are mainly formed by short-term capital flows, so they lack medium and long-term capital to invest in green projects, creating risks unsustainability.



POLICY RECOMMENDATIONS

PUBLIC SPENDING

PUBLIC INVESTMENT

- Improve the institutionalization
- Enhance the leaders' responsibility
- Restructure public investment
- Simplify procedures
- Prioritize RE and EE projects

GREEN PUBLIC PROCUREMENT

- Improve policies
- Improve green public procurement mechanism, in which the roles of stakeholders are clearly defined

ENVIRONMENTAL PROTECTION EXPENDITURE

- Improve the efficiency of expenditure
- Promote social resource mobilization
- Enhance resources

TAX POLICY

SYNCHRONIZATION

- Review and rationalize the tax and fee legal system towards the goal of GHG reduction and sustainable development according to a holistic strategy

EXPANDING THE COVERAGE OF ENVIRONMENTAL PROTECTION TAXPAYERS

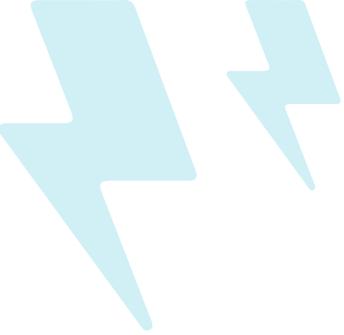
- Cover sources of damage to the environment, including products and goods whose production processes generate a lot of emissions

REASONABLE INTEREST RATES

- Create suitable motivations for transformation and decarbonization

CARBON TAX

- Study the possibility of developing and applying carbon tax in the long term



RECOMMENDATIONS: GREEN BOND DEVELOPMENT

LEGAL BASIS

- Review, supplement and finalize the legal basis, policy framework and market management mechanism for the financial market in general and the green bond market in particular

MARKET STRUCTURE

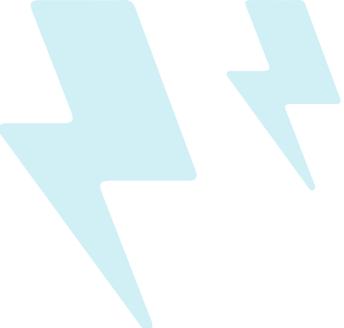
- Develop infrastructures and intermediary institutions of the market towards modernity, transparency, international practice conformity

INVESTORS

- Focus on insurance enterprises, Vietnam Social Security, investment funds and foreign investors

INCENTIVE POLICIES

- Tax and incentives for issuance and investment such as tax exemptions and reductions related to profits earned from green bond investment



RECOMMENDATIONS: GREEN STOCK DEVELOPMENT



INCENTIVE POLICIES

Incentives for businesses included in the VNSI;
Financial and non-financial incentives for green stock issuers



GREEN STOCK CRITERIA

Guidelines for issuing green stocks, including criteria such as use purposes, selection of disbursement projects, impacts, results



SUSTAINABILITY REPORT

Supporting and training listed companies and public companies on disclosure of information related to sustainable development;
Supporting listed companies to develop and publish Sustainability Reports



AWARENESS

Communicating and organizing conferences, training and disseminating knowledge about ESG of enterprises;
Introducing green financial products to the public

OTHER RECOMMENDATIONS



Mobilizing and
expanding
international
financial resources

Raising awareness
and enforcement of
sustainable
development
standards

Carbon pricing:
Carbon trading
market

Regulations on
macro monitoring
related to carbon
emissions





Thank You