

REPORT FROM ENERGY SUB WORKING GROUP

*Prepared by
Energy Sub-group*

Re –establishment Energy Sub Working Group

The re-establish of Sub Energy Working Group under the Vietnam Business Forum (VBF) Infrastructure Working Group, comprising of foreign technology providers; companies whose operations in Vietnam are partially run on renewable energy and; and key industry stakeholders, which are interested in supporting the government with the deployment of energy and renewable energy. The re-establishment has received support from many member firms of AmCham, Nordcham, CanCham, AusCham, Eurocham, and BBGV.

In support of government targets and Commercial Trade Agreements

The Group looks to facilitate Vietnam's Master Plan VII, which targets EVN to start privatization of electricity wholesale market and that renewable energy ("RE") reach 4.5% of total power capacity by 2020. This includes targets for wind energy to reach 1,000 MW, biomass to reach 500MW and other RE technologies to reach a total of 2,700MW by 2020. The proliferation of RE is in line with Vietnam's Green Growth Strategy, which targets a reduction in GHG emissions by 8-10% by 2020 over 2010 levels. However, as of today, RE markets are negligible in size or non-existent. International firms in Vietnam Chambers have extensive experience in these areas, the region and how trade agreements have promoted such development.

The timing is right for re-activating the sub- working group

Vietnam is experiencing surging demand for power with an average annual growth of 14.5% for a decade up to 2010 and above 10% in recent years. Meanwhile supply-side difficulties are being experienced including falling dependence on large hydropower, delays in scaling up of thermal power, import of coal at market price and continuous setbacks in the development of nuclear energy. Meanwhile, renewable energy is relatively fast to market, scalable and, once installed and commissioned, rely on Vietnam's natural resources for powering into the future.

Competitive Wholesale Market holds opportunity for Energy

Under Decision No. 26/2006/QĐ-TTg of the Prime Minister, Vietnam seeks to establish the Competitive Wholesale Market (CWM) between 2015 and 2022. CWM is particularly relevant for Energy and RE, which currently experiences little support policy from government. An efficient and well-regulated CWM in-line with fair trade agreement will enable significant deployment of RE capacity in a fairly short time frame, if correctly implemented.

Objectives of the Sub Working Group

The main objective of the Sub Working Group would be to facilitate with the government and private firms in developing new guidelines and policies related to Energy and especially RE deployment through consultation, research, sharing of best practice and dissemination of know-how and technical assistance. The proposed main activities are listed below:

- Providing expert consultation on new guidelines and policies
- Serving as a platform for knowledge transfer and technical assistance in green technologies
- Proposing practical solutions to significant market barriers
- Conducting market research and market studies

- Organizing workshops and training events aimed at multiple Energy and RE stakeholders, including policymakers, grid operators, local project developers and financiers.

Group support the following activities

1. MOIT requests to Provinces to conduct studies for Renewable Energy Development Plans.
2. MOIT revision of wind power Feed-in tariff and support incentives and biomass Feed-in tariff.
3. MOIT implementation of the Competitive Wholesale Market without intervention on price and market participants and with reasonable wheeling fees. If implemented as above, the CWM may help to significantly scale-up RE projects.
4. Governments of 13 Me Kong Provinces are piloting solar projects with 31 communities and private sector that is attracting \$10's of millions of private investment to replicate affordable solar energy to those living in rural areas. Over 2000 communities have shown interest to replicate with affordable loans, payback in 3 yrs and solar guarantees of 25 yrs .
5. Clear and definitive application processes with well-defined success/fail criteria for access to feed in tariff, power purchase agreements and associated government approvals. To allow investors to determine whether prospective renewable energy prospects can meet the local regulations and to minimize uncertainty and the exercise of discretion in regulatory decisions.

Current concerns

1. The price that EVN agrees to pay independent power producers in accordance with government-subsidized power purchase agreements (Feed-in-tariff) is too low to provide investors any profit, or too little to guarantee for bank loans (7.8 USD cents/kWh).
2. As EVN is incurring major losses, only ODA funding is investing, no private foreign investors and banks are likely to accept EVN's plan to buy electricity from wind power plants, unless guarantees from the government of Vietnam are offered.
3. Professional wind power producers with high reliability and financial capacity have had no opportunities to enter the Vietnam market.

Recommendations and perceived benefits

1. Permitting trial of select wind, solar and bio-gas power projects where independent power producers may sell directly to end users through one-on-one power purchase agreements; and when needed Independent power producers will pay distribution and transmission fees to EVN. Such fees will have to be agreed upon as part of CWM above.
2. A power purchase agreement directly signed between an independent wind power producer and an end-user being for example a multinational company can be used by renewable power developers as security for loans applied with international banks, together with their own financial resources, for their investment in the power sector in Vietnam in the future.
3. MOIT work on solar feed-in tariffs

The renewable energy goals can be achieved if the direct power sale trials are successful without any guarantees from the government, or any power price offset by EVN. Direct power sales are working well in other emerging markets, such as India, Mexico, Brazil.