**SPEECH OF POWER & ENEGRY SUB – WORKING GROUP**

*Presented by*

*Tomaso Andreatta*

*Power & Energy Sub – Working Group*

Vietnam has a tremendous opportunity to attract FDI and domestic investment into its planned clean energy future.

But to date the development of the two elements has been difficult; unclear electricity pricing and power purchase agreements. This has deterred many international investors and all foreign banks.

These issues are hampering environmentally sustainable growth, including more low carbon energy generation and the Working Group has the following points to highlight that would promote rapid investment in the energy sector:

**1. Direct Power Purchase Agreements**

We would like express thanks to Ministry of Industry and Trade and the Energy Regulatory Authority of Vietnam for the positive steps taken to commit to implement the Working Group recommendations on the Direct Power Purchase Agreement. This would stimulate $2b of investment in clean energy if these actions by ERAV are implemented:

* Amend the electricity law as recommended by US AID/ VLEEP analysis and
* Develop the legal contract with EVN, including, definition of the “wheeling costs”

**2. Greater Transparency on Electricity Pricing**

We request the urgent attention of Ministry of Industry and Trade to the continuing request from major power consumers for greater transparency on future electricity power tariffs to 2020. The Power and Energy Group refers to the previous submissions made in 2016 and to the Made in Vietnam Energy Plan recommendations calling for a **Roadmap to Retail Power Pricing** to be published for commercial and industrial consumers.

The benefits of publishing a pricing framework include the stimulus to power consumers to invest in energy efficiency and in off-grid power generation and would signal an important step toward structural reform of SOEs

**3. Cooperation between the Ministry of Planning and Investment and the Private Sector**

We note the positive discussions with Ministry of Planning and Investment on how to source international climate finance s to support the development of private sector energy efficiency and renewable energy investment. It is an important activity to accelerate the introduction of climate finance funds into the private sector in Vietnam and to counterbalance the new imperative for the government to exercise more “selectivity in external borrowing” passing the burden of investment to the private sector.

**4. Solar Power Policy Developments**

In response to the request from MOIT to comment on the Draft Solar Power Purchase Agreement, the Working Group made a detailed submission to the Ministry that would have provided reasonable protection to investors and foreign banks financing such projects.

None of the key recommendations were adopted in the final PPA agreement and this action will hamper the development of low cost finance for solar energy plants in Vietnam

The Working Group welcomes the publication of the Solar Rooftop Regulations and

We request confirmation from MOIT that third party solar operators using factory rooftops in Vietnam have the legal capacity to sell power using a Power Purchase Agreement to factory owners from solar systems of less than 1 mw capacity, without an Operating License.

A fuller and more effective consultation with the private sector organizations by the foreign consultants involved would have ensured that this third party operator role was more clearly defined.

Solar Farms – selecting the most effective solar projects has been difficult in countries like Thailand – the Working Group lessons learnt in Thailand were to select projects for inclusion in the National Energy Master - plan which have:

* The least Land Clearance and Compensation issues related to them (few households and livelihoods impacted).
* Grid Connection must be ensured and can be maintained even if all planned new power projects in that immediate area are also executed.
* Project Sponsor can provide tangible evidence of their ability to invest equity and raise finance to execute the project.
* Project Sponsors have a track record of success in developing infrastructure investments, including, preferably energy generation projects in Vietnam, or in SE Asia market.

**5. Energy Policy Development between VBF and MOIT**

We welcome the positive tone of the MOIT meeting with VBF Power and Energy Group on 15th September 2017 and the progress made toward establishing a partnership with Government of Vietnam on Energy Policy Development. This is critical to mobilizing commercial finance and private solutions in infrastructure and delivering the World Bank’s “Cascade Approach” in Vietnam.