**POSITION PAPER OF POWER AND ENERGY SUB-GROUP**

*Prepared by*

*Power and Energy Sub - Working Group*

As the Leadership encourages, and we support, Vietnam has a tremendous opportunity to attract FDI and domestic investment into reaching the goal of a clean energy future. But to date the procedures and efforts on the two essential ingredients of electricity pricing and power purchase agreements while beginning, have been slow and cumbersome, and are not yet sufficient for a course correction to meet Vietnam's clean energy goals. Policies that are designed to support a blend of renewables, efficiencies and gas can completely change Vietnam’s energy, health and environmental future and attract the needed domestic and international investment.

To make that transition successfully, we hope the international donor community can help backstop risk mitigation and support subsidies for the needy. And the private sector - domestic and foreign can provide expertise and financing.

*Specific recommendations include*

1. Wishes to express its thanks to Ministry of Industry and Trade and the Energy Regulatory Authority of Vietnam for the positive steps taken to implement the recommendations on the Direct Power Purchase Agreement. The collaborative and inclusive approach taken by the Ministry on this issue is very welcome and stands as a model for future deeper and effective cooperation on energy policy development. The Power and Energy Group looks forward to receiving further definition of the Pilot Phase and full roll out of the DPPA concept which, if fully implemented, will:

* Increase the access to clean energy for both Commercial and Industrial power consumers who are committed to reducing their greenhouse gas emissions and contribute directly to achieving the Government of Vietnam’s INDC targets
* Stimulate a rapid increase in investment in clean energy assets of up to $2billion
* The Power and Energy Group encourages Energy Regulatory Authority of Vietnam to implement the amendments to the law recommended by US AID/ VLEEP and to develop the contract with EVN, including, definition of the “wheeling costs”.

1. Requests the urgent attention of Ministry of Industry and Trade to the continuing concerns of major power consumers for greater transparency regarding the future of retail power tariffs. The Power and Energy Group refers to the previous submissions made in 2016 and to the Made in Vietnam Energy Plan recommendations calling for publication of a Roadmap to Retail Power Pricing. The benefits of publishing such the pricing framework include the stimulus effect to power consumers to invest in energy efficiency and in off-grid power generation to avoid the full impact of rising power prices. In turn, this will benefit EVN by relieving some the pressure on the power transmission and distribution system at daily peak hours and during the dry season.
2. The Power and Energy group notes the positive initial discussions with Ministry of Planning and Investment regarding the process of engaging international climate finance resources to support the development of private sector energy efficiency and renewable energy investment and to achieve the Vietnam INDC goals. Risk mitigation and blended finance solutions could accelerate the rate of investment in such businesses and allow Vietnam to fully enjoy the benefits of the international climate change mitigation measures.
3. Offers comments on the Solar Power policy development

* Welcomes the publication of the Circular 16/2017/TT-BCT on the export of power to the grid from rooftop solar power plants and the relaxation of the Operating License for power plants under 1mw capacity, Circular 12/2017/TT-BCT.
* The VBF Power and Energy group made a lengthy submission to the Ministry on the draft grid-connected solar Power Purchase Agreement (PPA) that would have improved the terms of the solar grid and provided adequate and reasonable protection to investors and banks financing such projects. But the main recommendations of VBF Power and Energy group were not reflected in the final PPA document that was recently published. This omission will hamper the development of low cost finance for solar energy plants in Vietnam. It is very disappointing to note that while the VBF Power and Energy Group submissions were in all material respects the same as the submission from the Public Donor Group, national embassies and many commercial companies, the Ministry made no material improvements to the draft PPA before issuing the final PPA. The failure to respond to the submissions of power market stakeholders on the PPA issues suggests that the Ministry of Industry of Trade and Industry is not fully engaged with the private sector.

The Power and Energy group also noted with concern the very large number of solar plants applying for inclusion in the Energy Masterplan and that the impact of such a high volume of applications in other countries such as Thailand was to create a “bubble effect” and a logjam in the process. This ultimately led to delays in investment, confusion amongst investors and problems for the energy ministry in that country.

The Power and Energy group using their experience of this issue in other markets drafted a set of guiding “common sense” criteria for selecting the solar projects most likely to proceed to execution and most likely to attract investment to Vietnam. The Criteria and Exclusion Rule could help maximize the development of efficient low cost solar power and ensure efficient land use and allocation of resources:

*Criteria to Indicate the Project Applications Most Likely to Succeed*

1. Land Clearance and Compensation. There are no critical issues such as, impacts on National Forests, Endangered Wildlife, Ethnic People, or on large numbers of effected households and livelihoods.
2. The Grid Connection must be ensured and can be maintained even if all planned new power projects in that immediate area are also executed
3. The Project Sponsor must be able to provide tangible evidence of their ability to invest equity and raise finance to execute the whole project including guarantees for level of power generation
4. The Project Sponsors have a track record of success in developing infrastructure investments, including energy generation projects in Vietnam, or in SE Asia markets.

*Failure to Commit Chartered Capital to Solar Farm Investment*

It has been common for some licensed companies to fail to pay in the Chartered Capital prescribed in the provincial licensing procedure. We suggest the Minister consider revoking the inclusion in the Energy Masterplan of a licensed company, if within six months of the date of inclusion in the Energy Masterplan an applicant company has not shown there is a commitment of investment capital as defined in the investment license?

The inclusion in the Masterplan could be revoked and the applicant invited to resubmit a new application if they wish to be included in the Energy Masterplan and to show their commitment to investment in energy generation.

Thanks to the Ministry of Industry and Trade for the positive tone of the 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. The benefits of active engagement with the private sector stakeholders in the energy market were discussed and recognized by all attendees and VBF P and E looks forward to continuing dialogue on the urgent matters of reform:

* The recent temporary suspension of the Competitive Power Generation Market and the implications for the schedule of liberalization of the power market to 2022
* Price Transparency for Retail Power Consumers
* The barriers to entry for commercial bank project finance in the energy market