

**FINANCING A SUSTAINABLE ENERGY MARKET
– A PRIVATE SECTOR INVESTED, LOW COST, CLEAN ENERGY MARKET**

*Prepared by
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I. Power Master Plan 8

VBF welcomes and would like to participate in the analysis and recommendations for Power Master Plan 8 (PMP8). A key issue is to design PMP8 to encourage and enable linkages between international finance and technology with domestic banks and company know-how, and to develop a market with attract major corporations and SMEs alike.

PMP8 PPA

One key issue for PMP8 is MOIT's consideration on improvements for the solar power market and improvements for the key terms of the model solar PPA that might apply from 1st July 2019. We estimate that if the PPA is improved to meet the standard acceptable to international and domestic banks, the financing costs of solar power plants could reduce and a Feed in Tariff cents would attract \$2 billion of FDI in solar energy by 2020.

VBF recommends that:

- MOIT bring the current PPA to international best practise and therefore success with the three most important improvements and amendments to the model solar PPA on 1st July 2019. Including:
 - Termination payments (Clause 5 of Article 7),
 - Curtailment and Failure to take or pay by EVN (Clauses 7 and 9 of Article 2),
 - Dispute Resolution / Arbitration Clauses (Article 8) and
 - extends the application of the Feed-in-Tariff for 20 years from the commercial operation date under the PPA for new solar projects which reach their commercial operation date by 30th June 2021 with a reduced Feed in Tariff
- MOIT enact similar improvements and amendments to the standard PPAs for wind power, biomass and waste to energy.

Also, under PMP8, VBF recommends that GVN create a market-based electricity pricing system which:

- Continues the socialised pricing system and supports low income citizens while raising the average tariff to market pricing.
- Reduces the need for government guarantees.
- Discourages electricity wastefulness.
- Attracts private sector investment in Distributed Clean Energy Generation and Energy Efficiency.
- Has fair and transparent tariffs for those consumers who can afford to pay the full cost of electricity.

3 Electricity Tariff key actions:

- 1) Redesign the daytime hourly tariff for Commercial and Industrial (C and I) consumers to reduce the peak demand and the peak load on the transmission system and reduces transmission losses.
- 2) Create regional variation in retail tariffs to reflect the different regional prices in the wholesale electricity market.
- 3) Publish a Roadmap to C and I market based electricity tariff to 2020 and 2025 to allow for adjustments and efficiencies.

In preparation for PMP8, VBF will update MVEP report from Nov 2016:

- Include updated analysis and numbers.
- Add statistical Analysis and Commentary on the Cost and Speed of Clean Energy Plants in Vietnam 2013 – 2018.
- Analyse the fastest and most cost-efficient method of building clean energy by the private sector investors and banks. Can investment by experienced clean energy developers relieve the burden on public debt and remove concerns regarding waste and the slow development of energy plants. What is the role SMEs have played and can play in energy development?

Under PMP8, the government and ODA sector should:

- Focus on the upgrade of transmission and distribution.
- Create a regulator regime that allows and encourage construction and use of bio-mass, solar, wind and other clean sources of power generation for private and public users – office, residential, manufacturing, communities, and industrial - small scale and large scale.
- Speed up decision making and set predicative procedures to encourage development of off shore gas, LNG, efficiencies, and renewables.

II. Solar energy rooftop regulations

The VBF recommended a solar energy rooftop regulation that allowed a 3MW capacity plant could be implemented without a Power Operation Licence. VBF recommends that MOIT considers increasing the exemption in Circular 12/2017 from 1MW to 3MW to fully capture the benefits and jobs of investment in solar rooftop energy systems.

We understand that the MOIT has been working on a draft Circular to replace Circular No. 12/2017/TT-BCT on Power Operation License. According to the draft Circular, however, we understand that the threshold of 1MWp remains unchanged. Thus, we continue to suggest the MOIT take into account our recommendation of 3MW as the threshold in the new draft Circular.

III. Recommended Selection Criteria for grid-connected solar energy projects in the national energy development masterplan

VBF welcomes the MOIT feedback and advice on the usefulness of the suggested criteria.

IV. Partnership with VBF in Energy Policy Development and Financing Strategies for the energy sector

The critically important role of the private sector is recognised by all stakeholders and a coherent engagement strategy is needed to facilitate the delivery of 70% of energy (2017 Private Sector power generation investment was no more than 4% of total) and infrastructure investment in the

future from private sector sources. Integrated goals with international and domestic components will lead to the greatest success.

V. Vietnam's Readiness for Climate Finance Support Mechanisms to the private sector

VBF offers its assistance in developing proposals to the global and bilateral climate finance funds that help to enabling markets for private sector investment and facilitates increasing investment in Vietnam's adaptation and mitigation of climate change impacts.

VBF members have skills in analysing the Market Context (what can be done and what tools are needed), Financing Capacity (how much money can be invested, what conditions need to apply to deliver that investment) to offer and which would assist the Ministry of Planning and Investment, Ministry of Industry and Trade to access Climate Finance resources.

VI. Direct Power Purchase Agreement

VBF looks forward to further details of the DPPA Pilot Scheme and recommends the following:

- Power consumers paying the Commercial (offices, hotels, resorts and supermarkets) electricity tariff are allowed to enter the Pilot Scheme and to reduce their electricity costs.
- Pilot Scheme should set a target to create investment in at least 300MW of new clean energy generation in 2018/2019 and \$400m.
- That ERAV/EVN define a "wheeling fee" as fully and quickly as possible and undertake to fix this fee for at least first 5 years of operation of the wheeling agreement and for escalation after that period agreed in conjunction with business groups and VBF.