



SCALING UP RENEWABLE ENERGY INVESTMENT IN VIET NAM

Viet Nam has one of Southeast Asia's best wind resources and significant solar, biomass and hydro potential. To meet its growing power demand, the country's Power Development Plan sets out as one of its objectives to prioritise renewable energy sources in electricity production. The plan forecasts an increase in installed renewable energy generation capacity of 24 gigawatts (GW) by 2030.

Recent dialogue and policy developments indicate strong political commitment and promising potential to harness the benefits offered by renewable energy. In particular, Resolution No. 55-NQ/TW on the orientation of Viet Nam's National Energy Development Strategy up to 2030, published in February 2020, sets out the country's ambition to "... give priority to exploiting, thoroughly and efficiently using renewable, new and clean energy sources".

The IRENA Coalition for Action Business and Investors Group, which brings together leading renewable energy businesses and investors, sees great potential for investments in Viet Nam. The group represents significant renewable energy assets worldwide and is in the coming years planning to contribute substantial additional investment needed for a green economic recovery post covid-19 and to reach global climate objectives. From an industry point of view and based on its engagement in Viet Nam, the Business and Investors Group has put together the following key recommendations that the government may wish to consider to reach higher shares of renewable energy:

- **Enhance clarity on government renewable energy policy beyond 2021**

If Viet Nam is to mobilise private investment in its energy sector, it would benefit from providing a transparent and predictable environment beyond 2021 – for long-term investment decisions to be made today or for projects reaching final investment decision after 2021. To this end, the Business and Investors Group notes the intention of the government of Viet Nam to accelerate the publication of the country's Power Development Plan 8, which reflects the country's transition from fossil fuels to renewable energy, coupled with a clear signal that the regulatory environment will continue to evolve to attract the large amounts of investment required to help deliver the country's energy and climate objectives. The Business and Investors Group would welcome continued consultation on the plan.

- **Signal the transition from utility scale fossil generation to utility scale renewable generation**

Resolution 55 instructs the government of Viet Nam to “... concentrate on building breakthrough mechanisms and policies to encourage and promote the development of renewable energy sources in order to replace fossil energy sources at maximum... (and prioritise) the development of wind and solar energy for electricity generation...”. The Business and Investors Group notes that the Power Development Plan 8 should set out the pathway for this transition. Properly managed, renewable energy resources will provide Viet Nam with very large amounts of electricity which can replace planned coal plants and enable the government to meet its short- and medium-term energy targets.

- **Consider risk-mitigation instruments to reduce finance and offtake uncertainty**

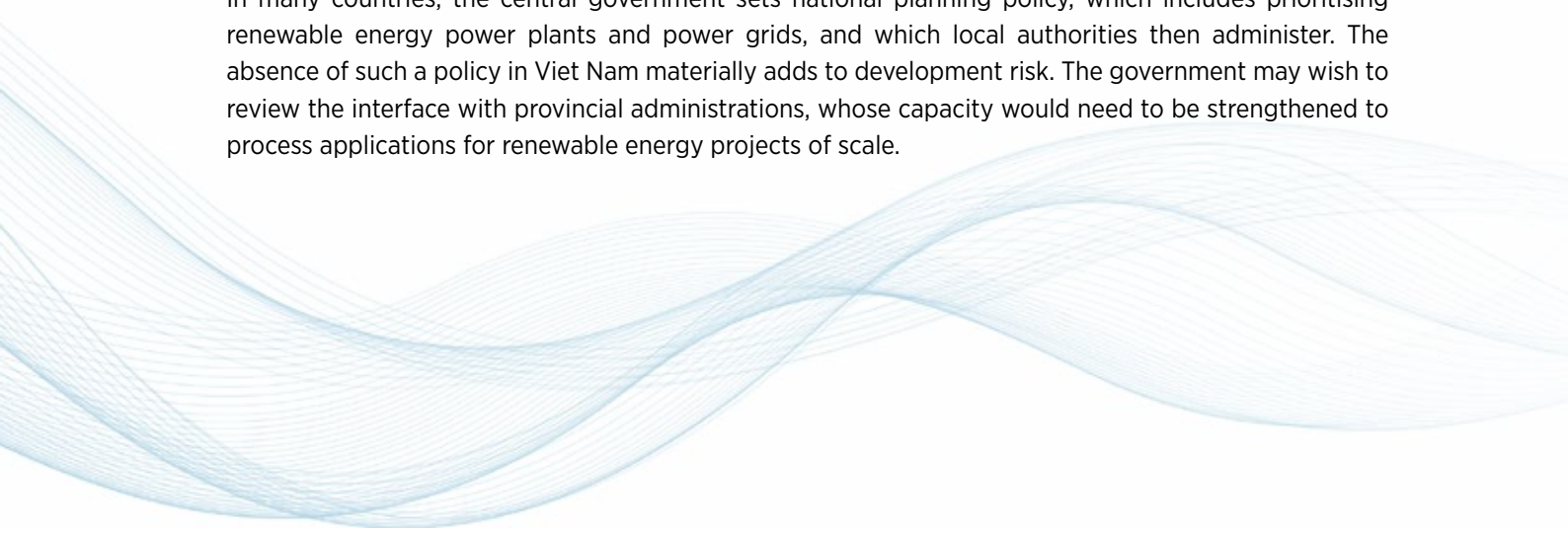
Investors remain concerned about the creditworthiness of Viet Nam Electricity Group, which is affected by electricity tariffs that remain at or below the cost of generation. Under these circumstances, investors may be reluctant to commit without increased guarantees. In the absence of government guarantees, other steps may be needed to enhance offtake creditworthiness to reduce financial risk and the capital cost of projects. The Business and Investors Group welcomes the introduction of a competitive wholesale power market, expected to become fully operational by 2021, allowing some customers to buy electricity directly from generators. Moving to well designed and implemented auctions for power procurement in the medium term could further help bring low-cost generation, particularly onshore wind and solar photovoltaic, into the system. The government can mobilise significant investment in the sector by giving investors certainty that the feed-in tariff for wind will remain in the short term for projects currently under development, while providing longer-term visibility to competitive procurement into the 2020s.

- **Enhanced grid development strategy**

Government policy for renewable energy procurement needs to include plans for grid development to enable large amounts of new renewable energy capacity to be effectively managed on the national grid. Viet Nam Electricity Group, which has the responsibility to manage the country’s grid network, has been delegating the responsibility for building grid upgrades onto project developers. If developers have to assume the cost of building a new grid, this will need to be reflected in the feed-in tariff or the structure of future auctions. The Business and Investors Group is encouraged by the recent proposals from the Ministry of Industry and Trade to introduce a build and transfer model for new grid developments. An alternative would be for the central government to mandate that Viet Nam Electricity Group undertake a programme of grid strengthening and upgrading.

- **Strengthen national planning and local administration for renewable energy**

Zoning and permitting are critical components of renewable energy project development, and project risks will remain high if provincial governments are not aligned with the national government policy. In many countries, the central government sets national planning policy, which includes prioritising renewable energy power plants and power grids, and which local authorities then administer. The absence of such a policy in Viet Nam materially adds to development risk. The government may wish to review the interface with provincial administrations, whose capacity would need to be strengthened to process applications for renewable energy projects of scale.



Coalition for Action Business and Investors Group Members

ABB	Graded	Rahimafrooz Renewable Energy
Abengoa Solar	Iberdrola SA	Renewable Energy and Energy Efficiency Partnership (REEEP)
Access Power	International Council for Local Environmental Initiatives (ICLEI)	RES4Africa Foundation
Acciona	International Geothermal Association	Revelle Group
Alliance for Rural Electrification	International Hydropower Association	Ryse Energy
AMEA Power	International Renewable Energy Agency (IRENA)	Siemens Gamesa Renewable Energy
Boston Consulting Group	International Network for Sustainable Energy (INFORSE)	Skypower
Clean Energy Business Council MENA	kiloWattsol	SolarPower Europe
Dii Desert Energy	Mainstream Renewable Power	SolarCoin Foundation
Dulas	MAKE/Wood Mackenzie	Syndicat des Énergies Renouvelables
Enel Green Power	Masdar	TERI School of Advanced Studies
Energy Watch Group	Middle East Solar Industry Association (MESIA)	The Climate Group/RE100
European Geothermal Energy Council (EGEC)	National Solar Energy Federation of India	Trina Solar
Falck Renewables	Novozymes	Vestas Wind Systems
Finergreen	Orsted	World Bioenergy Association (WBA)
First Solar	Qway Energy	World Wind Energy Association (WWEA)
FTI Consulting		Yellow Door Energy
Global Solar Council		
Global Wind Energy Council (GWEC)		

About the IRENA Coalition for Action

The IRENA Coalition for Action brings together leading renewable energy players from around the world. The Coalition facilitates global dialogues between public and private sectors to develop actions to increase the share of renewables in the global energy mix and accelerate the global energy transition. Within the Coalition, the Business and Investors Working Group is chaired by the Global Wind Energy Council (GWEC) and SolarPower Europe. The Group puts forward analysis and recommendations based on on-the-ground experiences of some of the leading private sector players in the renewable energy field. IRENA acts as the Secretariat of the Coalition. <https://coalition.irena.org>

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