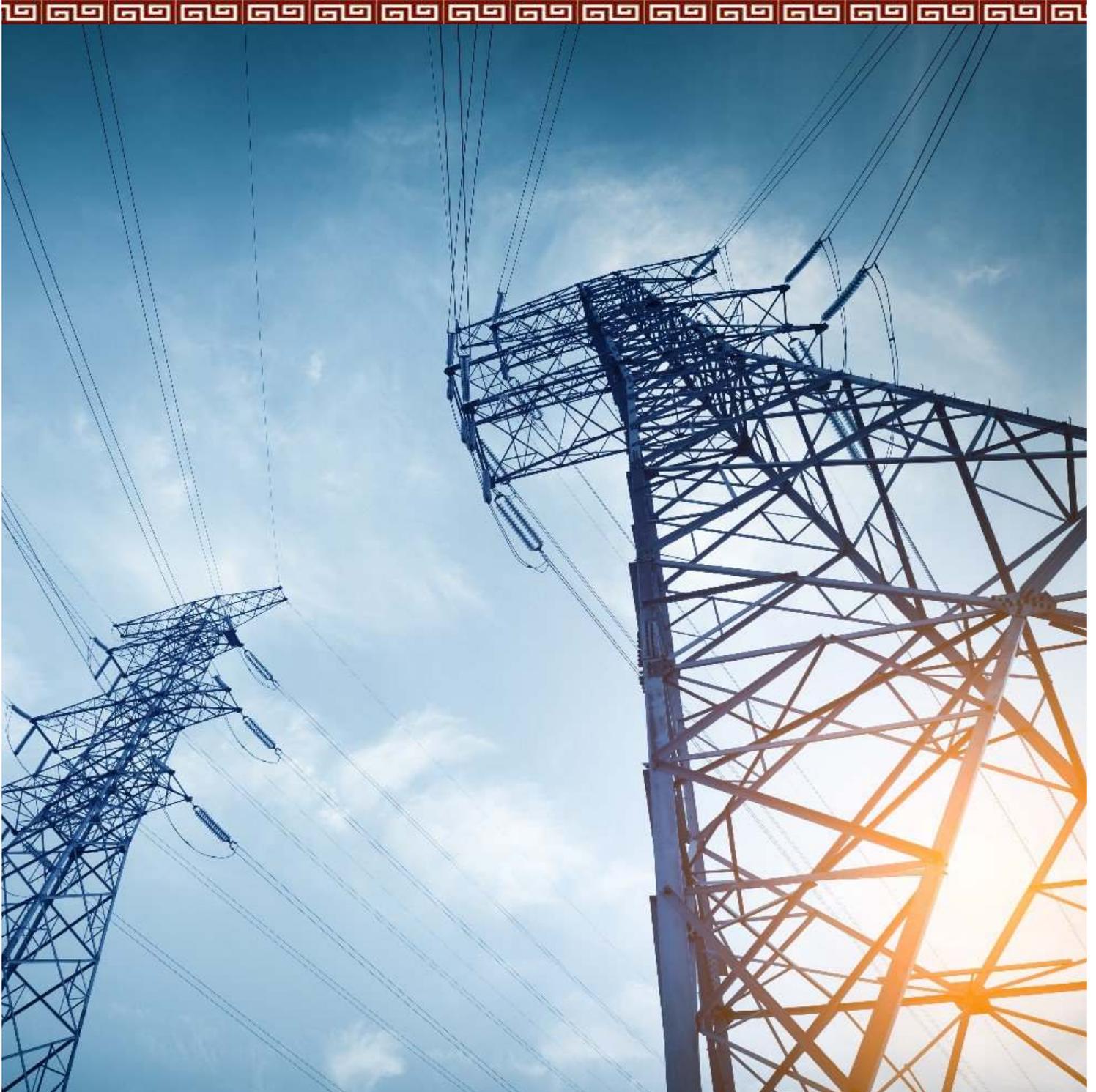


NDTC & Partners

MARKET INSIGHT

— Renewable Energy investments in Vietnam —





RENEWABLE ENERGY INVESTMENTS IN VIETNAM

by Ly Pham

I. LEGAL FRAMEWORK

While hydropower has been exploited as fully as possible, coal-fired power is facing environmental pressures, renewable energy (“RE”) is a new trend of development in Vietnam. The Vietnamese Government aims to produce around 7% by 2020 and above 10% by 2030 of its electricity from renewable sources (excluding large-scale, medium-scale and pumped-storage hydropower). To encourage RE development, the Government has issued several legal documents to attract investors. Below are some important ones:

Regulations on investment:

- Law No. 67/2014/QH13 issued by the National Assembly dated November 26, 2014 on investment (“**Law on Investment**”);
- Law No. 45/2013/QH13 issued by the National Assembly dated November 29, 2013 on land (“**Law on Land**”);
- Law No. 14/2008/QH12 issued by the National Assembly dated June 3, 2008 on Corporate Income Tax (“**Law on Corporate Income Tax**”);
- Law No. 107/2016/QH13 issued by the National Assembly dated April 06, 2016 on export and import duties (“**Law on Export and Import duties**”);
- Decree 46/2014/NĐ-CP issued by the Government dated May 15, 2014 on collection of land rent and water surface rent (“**Decree 46**”).

Specific regulations on RE:

- Decision No. 428/QĐ-TTg issued by the Prime Minister dated March 18, 2016 on the approval of revisions to the national power development plan from 2011 to 2020 with visions extended to 2030 (“**Decision 428**”);
- Decision No. 2068/QĐ-TTg dated November 25, 2015 approving the development strategy of renewable energy of Vietnam by 2030 with a vision to 2050 (“**Decision 2068**”);
- Decision No. 11/2017/QĐ-TTg issued by the Prime Minister dated April 11, 2017 on mechanism for encouragement of development of solar power in Vietnam (“**Decision 11**”);

- Decision No.37/2011/QĐ-TTg issued by the Prime Minister dated June 29, 2011 on mechanism supporting the development of wind power projects in Vietnam (“**Decision 37**”);
- Decision No. 39/2018/QĐ-TTg issued by the Prime Minister dated September 10, 2018 amending several provisions of Decision 37/2011/QĐ-TTg for mechanism supporting the development of wind power projects (“**Decision 39**”);
- Decision No. 24/2014/QĐ-TTg issued by the Prime Minister dated March 24, 2014 on support mechanism for development of biomass power projects in Vietnam (“**Decision 24**”);



II. NOTABLE LEGAL ISSUES

1. Issuance of Power Development Plan VII – vision to 2030

According to the Power Development Plan VII, as provided by Decision 428, the expected capacity of each category of renewable energy shall be as follows:

Year	Wind	Solar	Biomass
2020	800 MW	850 MW	750 MW
2025	2,000 MW	4,000 MW	1,824 MW
2030	6,000 MW	12,000 MW	3,281 MW

The expected percentage of each category of renewable energy in the total power of Vietnam:

Year	Wind	Solar	Biomass
2020	0,8%	0,5%	1%
2025	1%	1,6%	1,2%
2030	2,1%	3,3%	2,1%



2. Feed-in Tariff (“FIT”):

In Vietnam, the Electricity of Vietnam (“EVN”) is the sole power buyer. According to the Decisions on RE of the Prime Minister, EVN is liable to purchase all power from renewable projects at the regulated FIT and this price will be unchanged during the term of renewable projects. FIT is currently set for wind, solar, and biomass projects as follows:

Wind Power	Solar Power	Biomass Power
8.5 US cents/kWh for onshore wind power projects	9.35 US cents/kWh connected projects with the efficiency of solar cells greater than 16% or with an efficiency of the module greater than 15%. (See Decision 11)	5.8 US cents/kWh (See Decision 24)
9.8 US cents/kWh for offshore wind power projects (See Decision 39)	<i>Note: in order to achieve such price, the project needs to have the COD before June 31, 2019</i>	
<i>Note: The grid-connected wind power projects has its Commercial Operation Date (“COD”) before November 1, 2021 will be applied to such new price</i>		

In general, the above price excluding VAT and adjusted by the fluctuation of exchange rate of VND/USD, provided by the State Bank of Vietnam from time to time.

3. Investment Incentives

Under the Government policies, renewable energy development is one of the sectors having the special investment incentives. The renewable energy projects shall be offered the key incentives as follows:

Land Rent exemption: Investors are entitled to exemption from the land rental fee in 11 years or 15 years in case where their projects located in areas facing extreme socio-economic difficulties. (See Article 19.3, Decree 46/2014/ND-CP).

Corporate income taxes incentives (“CIT”): A CIT of 10% is applicable for renewable energy projects in 15 years (See Article 13 Law on Corporate Income Tax). The such tax rate shall be applied from the first year where the project incurs revenue. Additionally, investors, own their new projects located in areas facing extreme socio-economic difficulties, are also entitled to exemption from CIT for no more than 04 years and a 50% reduction of tax amounts for no more than the next 09 years (See Article 14 Law on Corporate Income Tax).

Import Tax exemption: Investors are also exempted in case imported goods for creating fixed assets for their renewable projects. Imported goods are raw materials, supplies and semi-finished products which cannot be domestically produced and are imported to serve production of the projects according to the prevailing provisions on import and export tax. (See Article 16, Law on Import and Export Tax).



RENEWABLE ENERGY SECTOR IN VIETNAM

by Dzung Dinh

In recent years, the Vietnam Government has completely changed its attitudes towards renewable energy when the Government set up higher as well as more specific targets on the energy resources.

Accordingly, the revised PDP No.7 (Decision No. 428/2016/QĐ-TTg) considers renewable energy as the core issue of the outlook on the national power development when prioritizing the development of electric power from renewable energy to curtail adverse impacts on the environment from electricity production. Moreover, the Government adjusted specific objectives of the renewable energy development towards increase of the proportion of electric power generated by renewable energy (Figure 1).

Renewable Energy in Vietnam is in its early stage, with plenty of potential for development especially in the wind and solar segments (Figure 2).



Figure 1: Installed Capacity Target by power types in revised PDP VII (Source: Decision No. 428/2016/QĐ-TTg, EVN)

Starting from 2011, the fixed Feed-In-Tariff (FIT) has been used as a policy tool to show investment incentives and ensure the benefits for RE investors (Figure 3)

Figure 2: Summary of Renewable Energy Sector in Vietnam as of March, 2018 (Source: NDTC combined sources and Stoxxplus 2018)

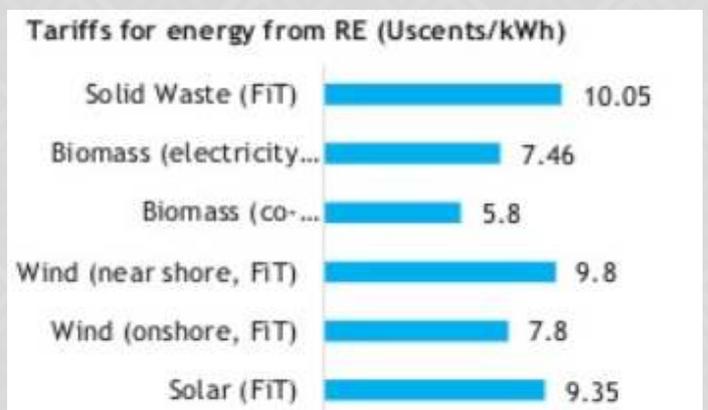
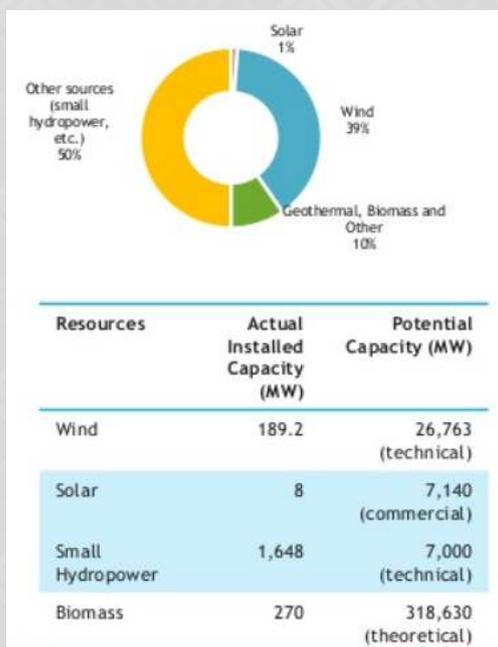


Figure 3: Summary of FIT for RE sector, 2018 (Source: NDTC combined sources and Stoxxplus 2018)



WIND POWER

There are only 05 among 80 wind power projects currently in registration which are connected to the national grid, covering only 23.7% of 2020 target (Figure 4).

Some main highlights regarding Wind power sector in Vietnam (Reference to Stoxplus analysis, 2018):

- Investment costs per kWh are going down as energy efficiency of wind turbines increase.
- The FIT for wind projects has no deadline and is expected to be revised soon.

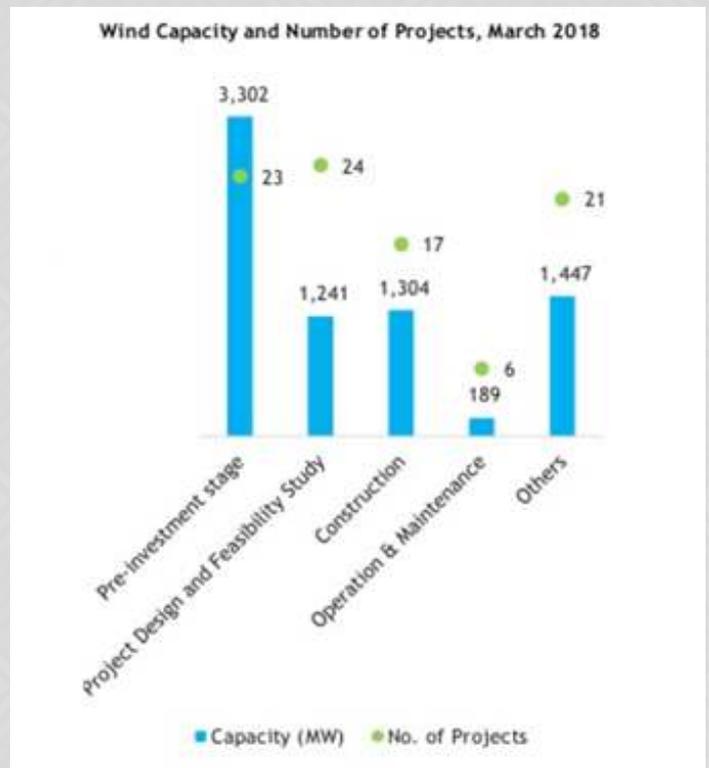


Figure 4: Summary of Wind Power in Vietnam as of March, 2018 (Source: NDTC combined sources, Stoxplus 2018)

SOLAR POWER

The installed capacity in registration is 20 times the planned capacity in revised PDP No. 7, but not all of the projects are expected to come fruition (Figure 5).

Key highlights:

- Solar projects are relatively easier to install and requires lower investment cost (Referred to Stoxplus analysis, 2018);
- In general, the FIT for solar projects are relatively more competitive than wind power at 9.35UScents/kWh, but deadline to take advantage of such FIT is near (June 30th 2019), in accordance with Decision No. 11/2017/QD-TTg;
- The Prime Minister of Vietnam recently approved (on August 1st 2018) the special extension of such FIT for solar power projects in Ninh Thuan province until December 31st 2020, which is one and a half more year then preceding deadline. Other popular regions for solar power including Binh Thuan province, Tay Ninh province, Dak Lak province and Khanh Hoa province are expected to be following suit (Figure 6).

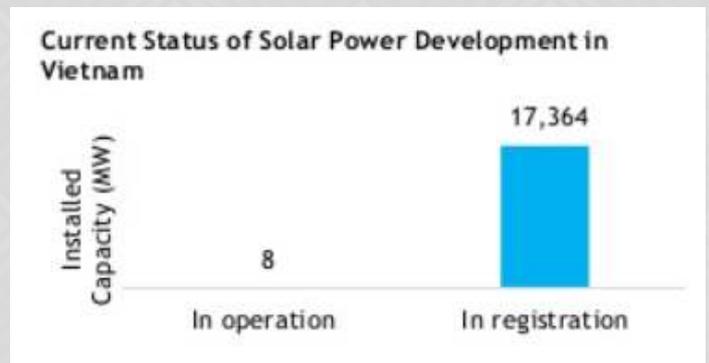


Figure 5: Current status of Solar power as of March, 2018 (Source: NDTC combined sources and Stoxplus, 2018)

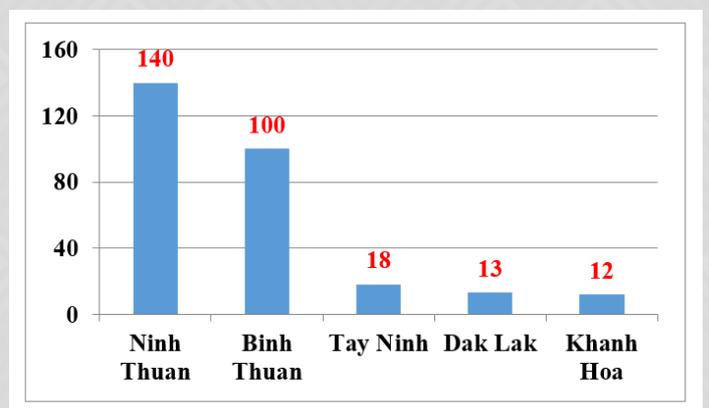


Figure 6: Top destination in terms of number of registered Solar Power Projects (as of January, 2018) (Source: NDTC combined sources 2017-2018)



BIOMASS

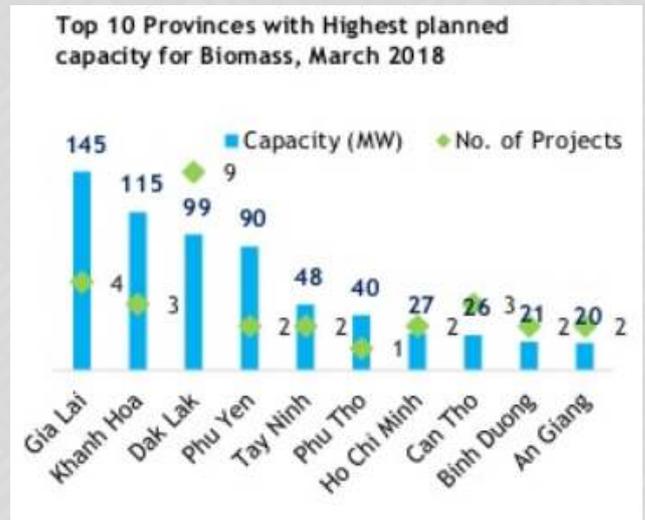
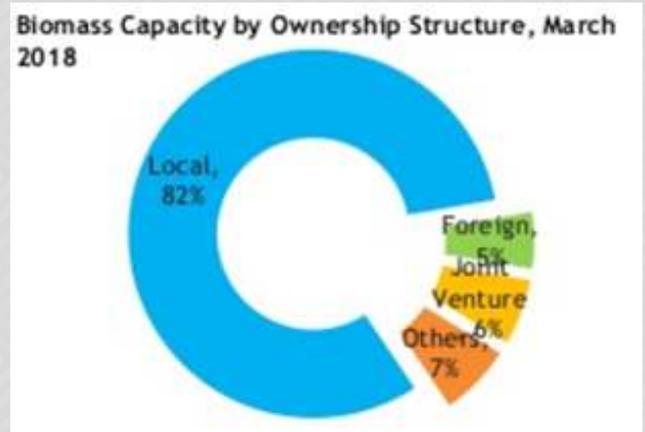
Local developers account for the majority of the projects of biomass, while foreign players have limited presence and in small scale projects (Figure 7).

Key highlights (Referred to Stoxplus analysis, 2018):

- Given the scattered supply of biomass wastes, the biomass energy plant locations are also scattered and of small scale below 30 MW;
- However, low cost of input leads to lower production cost. Biomass projects are profitable even when the FIT is much lower compared to other types of RE.



Figure 7: Key highlights of Biomass as of March, 2018
(Source: NDTC combined sources and Stoxplus, 2018)



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