

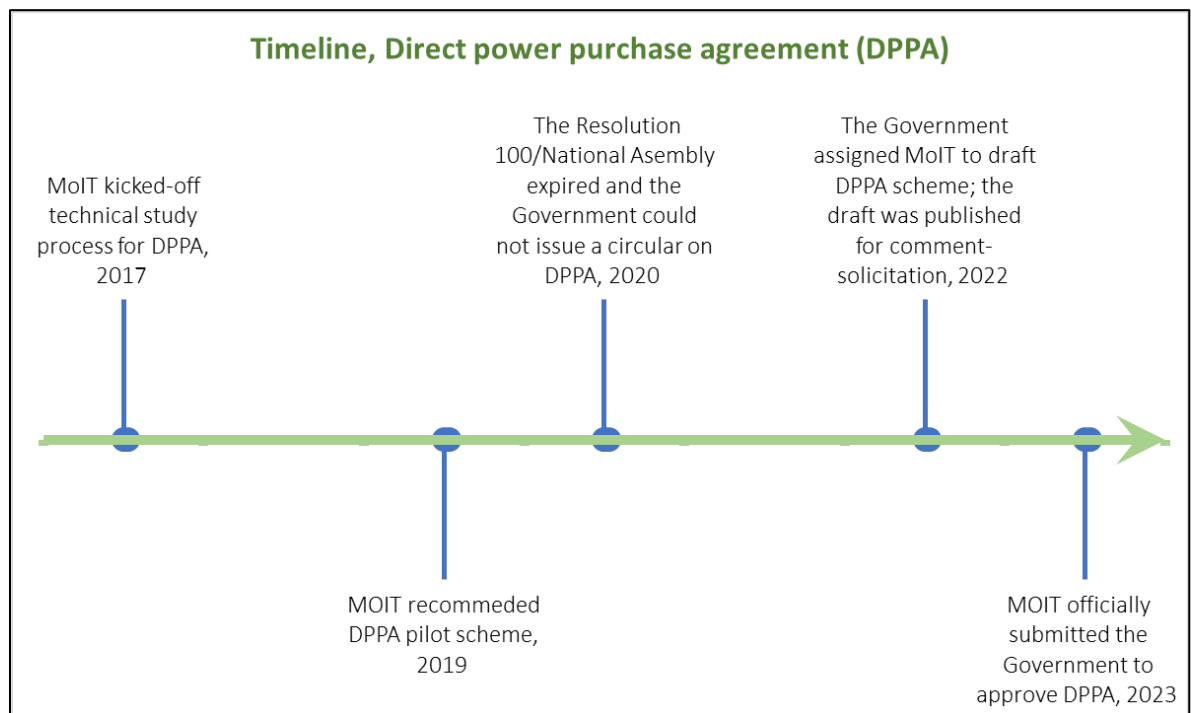
## Viet Nam Energy Transition Weekly Update

3<sup>rd</sup> November 2023

### Key points

ET update this week focuses on the direct power purchase agreement (DPPA). After 6 years since MoIT kicked off its technical study process for DPPA pilot scheme, the mechanism has not yet been realized. Meanwhile, a lot of buyers and sellers alike have shown their eagerness to join the pilot scheme. As of Oct 2023, 24 renewable projects with a combined capacity of 1,773MW have expressed their [interest](#). Recently, [tuoitre](#) has released a fabulous piece (in Vietnamese) which titled “when can electricity be bought directly?” with key takeaways as follows:

- There has been so far two models for DPPA mechanism recommended by MoIT, as illustrated in the Report 202/BC-BCT dated 24<sup>th</sup> Oct 2023 submitted to the Government.
- DPPA will help to boost export and FDI attraction. DPPA certainly is not a panacea, however, it is a useful tool for “handling” some challenges brought up by the implementation of Carbon Border Adjustment Mechanism (CBAM).
- Still, DPPA badly (and obviously) needs national transmission grid. Some potential buyers (large customers) are concerned over the reliability of the grid operated by EVN.
- Sellers and buyers are both waiting. A host of “big players” show their interest in joining DPPA, including Samsung, Adidas, Nike, Heineken, to name a few. Transitional projects who are recommended for the temporary prices which are considered as unsustainable for their businesses are identified as most likely potential sellers.
- There have been some gaps amongst ministries. MoIT recommends that DPPA should be soon approved by the government. The Ministry of Justice (MoJ) concerned that there have been unclear legal frameworks for the government to approve the pilot scheme. Ministry of Finance (MoF) worried that contracts-for-difference has not been well-regulated.



More details (see in links)

Themes	Contents
<b>Generation</b>	<ul style="list-style-type: none"> <li>• Prime Minister Chinh <a href="#">demanded</a> power supply be guaranteed for production and business activities as well as people’s daily life during the rest of 2023 and next year.</li> <li>• The Ministry of Industry and Trade (MoIT) <a href="#">noted</a> that of the 106 projects with a capacity of 30MW or more, 24 have shown an eagerness to engage in the DPPA pilot scheme; 17 projects, totaling 2,836 MW, are considering their eligibility and capability to secure contracts with large electricity consumers. However, 26 projects have opted out of the DPPA pilot.</li> <li>• First waste-to-energy plant is <a href="#">inaugurated</a> in northern Vietnam. The plant has a waste treatment capacity of 800 tonnes per day, with the major incinerator capable of handling 100 tonnes of household waste and 80 tonnes of industrial waste a day, and generating 6.1MW of electricity.</li> </ul>
<b>Demand</b>	<ul style="list-style-type: none"> <li>• Leading corporations <a href="#">eye</a> Vietnam's energy transition toward carbon neutrality.</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• The recognition and issuance of carbon credits in Vietnam are still <a href="#">dependent</a> on third parties such as organizations and international credit mechanisms, and Vietnam’s role as a seller remains unclear, even though developing the carbon credit market is one of tools of the 2020 Law on Environmental Protection.</li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>• PVN inaugurated the first stage of Thi Vai LNG warehouse - the Vietnam’s largest and most modern LNG warehouse. After four years, the first stage of constructing the Vietnam’s largest and most modern LNG warehouse was <a href="#">completed</a>. Its port can accommodate LNG ships of up to 100,000 DWT. Its tank has a storage capacity of 180,000m3 and an average gas loading capacity of 1 million tons of LNG per annum.</li> <li>• The Vietnam National Oil and Gas Group (PVN) and its partners <a href="#">signed</a> relevant contracts and initiated the Lot B - O Mon gas power project chain.</li> </ul>
<b>Grid</b>	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>Planning/ others</b>	<ul style="list-style-type: none"> <li>• There is still currently no legal <a href="#">avenue</a> for foreign or domestic investors to take on offshore wind power pilots in Vietnam.</li> <li>• Viet Nam is <a href="#">preparing</a> a draft resource-mobilization plan to implement JETP deal. However, plans to reduce the use of coal in Indonesia and Vietnam with financial support from Western donors face teething <a href="#">problems</a>, which could have implications for the prospects of richer countries helping poorer ones shift to cleaner energy.</li> </ul>