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MANAGING CHANGE

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New regulations on incentives for development of solar energy in Vietnam

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On 6 April 2020, after a long gap since the expiry of Decision No. 11/2017/QĐ-TTg (expired on June 30, 2019) (DECISION 11), the Prime Minister issued Decision No. 13/2020/QĐ-TTg (effective as of 22 May 2020) on incentives for the development of solar energy in Vietnam (DECISION 13). This

Decision does not only provide a new price for solar energy, but also more details on grid-connected solar power projects and rooftop solar power (where the previous DECISION 11 was not clearly regulated).

→ Key issues

NEW FEED-IN TARIFF

Under DECISION 13, Feed in Tariff (FIT) for solar energy has been reduced as follows:

- Floating solar energy projects: UScent 7.69/kWh equivalent to 1.783 VND/kWh (previously, UScent 9.35/kWh equivalent to 2.086 VND/kWh);
- Ground mounted solar energy projects: UScent 7.09/kWh equivalent to 1.644 VND/kWh (previously, UScent 9.35/kWh equivalent to 2.086 VND/kWh);
- Rooftop energy solar energy systems: UScent 8.38/kWh equivalent to 1.943 VND/kWh (previously, UScent 9.35/kWh equivalent to 2.086 VND/kWh)

The FIT shall be applied within 20 years as of the commercial operation date (COD).

In order to apply the price above, grid-connected solar power projects (floating solar energy projects and ground mounted solar energy projects) must satisfy the following conditions:

- Obtained in-principle investment decision before 23/11/2019;
- COD of the whole or part(s) of project from 01/7/2019 to 31/12/2020; and
- Solar cell efficiency of more than 16 percent or module efficiency of more than 15 percent.

DECISION 13 provided special incentives for projects located in Ninh Thuan province. Particularly, projects (i) that have been included in the electricity development planning of the province/nation before 01/01/2021; (ii) with COD before 01/01/2021; and (iii) with a total capacity not exceeding 2,000 MW, FIT at UScent 9.35/kWh

equivalent to 2.086 VND/kWh, shall be applied for within 20 years as of COD.

Price for other grid-connected solar power projects not satisfying the above conditions shall be subject to a competitive mechanism.

For rooftop energy solar energy systems, the projects must satisfy the following conditions:

- Have been connected to grid up to 35kV of EVN and sold to EVN;
- Reached COD and had verified meter readings in the period from 1 July 2019 to 31 December 2020; and
- Capacity not exceeding 1 MW.

For projects not fulfilling these conditions, the purchase price will be agreed between the parties.

With the new regulation, it can be seen as a challenge for solar energy investors to race against time in order to get the COD by 31/12/2020 amid the extraordinary circumstances related to the COVID-19 pandemic. Also, with a reduced price, solar investments are less likely to attract the investors than before, unless the capital expenditure for investment in solar farms is reduced correspondingly.

ROOFTOP ENERGY SOLAR ENERGY SYSTEMS

DECISION 13 expanded the definition of a purchaser which is not only limited to EVN as previously, but also comprises other organizations and individuals purchasing electricity from the seller. For the seller, DECISION 13 removed the provision that the owner of rooftop energy solar energy systems is allowed to sell **SURPLUS ELECTRICITY** to the buyers only. It provides instead that the owner may sell **WHOLE OR A PART**

of the electricity produced to either EVN or other organizations and individuals not using power grids of EVN. DECISION 13 thus opened more room for the owner to conduct transactions at their discretion.

Particularly, if the seller sells electricity to EVN, they must sign a PPA in accordance with a template provided by the Ministry of Trade and Industry. In case the purchaser is not EVN, both parties may negotiate and enter into a contract with terms and conditions based on their intention and purpose, including the price - provided it complies with the legal regulations.

Up to today, there is no PPA template to be used for selling electricity from rooftop energy solar energy systems. Until the specific template is issued, the PPA template provided in Circular 05/2019/TT-BCT shall be applied. With a mandatory PPA, solar power investors may find it less favorable as there are certain terms and conditions included which cannot be negotiated. The upcoming PPA is expected to fix problems inherent to the current PPA in order to balance benefits for both, seller and purchaser.

Upon entering into a PPA with EVN, EVN shall invest, install and maintain electrical measuring instruments.

GRID-CONNECTED SOLAR POWER PROJECTS

DECISION 13 provided that the seller shall be responsible for investing, installing, operating and maintaining electrical measuring instruments, power lines and transformers (if any) from solar farms to the location where the power is connected to power grids of EVN (**GRID CONNECTION**). The grid connection must be in compliance with the approved planning. When the grid connection is different from the place where the electrical measuring instruments are located, the seller shall be responsible for a loss of electricity along the power line and a potential depreciation of transformers of power plants.

Grid-connected solar power projects shall be subject to incentives regarding tax, land use and water surface use in accordance with applicable regulations and laws.

Purchasers then shall be responsible for purchasing the entire electricity produced from solar power projects connected to the national grid in compliance with the regulations, and prioritizing a balancing to fully utilize power generation capacity of solar power projects.

→ Conclusion

On the positive side, DECISION 13 helped to issue a new FIT for solar power projects after the previous FIT expired one year ago on 30 June 2019. It also provided more opportunities for rooftop energy solar energy systems to sell electricity to a

variety of customers. However, with a tight deadline for investors to get a new FIT, and uncertainty about when and what new FIT shall be applied, solar power projects continue to be a challenged and risky business for investors.

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