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Vietnam: Six Ways to Keep Up the Renewable Energy Investment Success

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Action plan to attract investment in renewable energy in Vietnam

- *Prioritise renewable energy in the governance system*
- *Streamline the regulatory framework*
- *Facilitate market entry for investors*
- *Improve transparency and communication about the investment regime*
- *Improve grid expansion planning*
- *Join IRENA to further build the capacity for renewable energy governance*

Vietnam is one of the most attractive destinations for renewable energy investment in ASEAN. In 2018, the country attracted USD 5.2 billion [1]. In 2019, the share of renewable energy in the energy mix was 9%, thus already exceeding the 7% target set for 2020 [2]. If Vietnam is to continue its success and compete globally for investment in renewable energy, it will need to further develop its investment climate. The competition is heating up in this area, and an increasing number of countries have similar conditions and frameworks for renewable energy investment. Therefore, every improvement may help boost a market's relative attractiveness.

While Vietnam has received substantial support and assistance in developing and designing its feed-in tariff and auctions policies from international donors, limited attention has been paid to how to build institutions for renewable energy governance. Vietnam is ranked no 98 out of 156 countries in the Index of Geopolitical Gains and Losses after energy transition (GeGaLo Index) and thus needs to further strengthen institutions and improve its capacity for renewable energy governance [3].

Taking into account these points, we propose six actions that can further enhance the attractiveness of Vietnam's renewable energy sector for investment from both domestic and international investors.

Action 1: Prioritise renewable energy in the governance system

Vietnam could channel more human and institutional resources into renewable energy governance. The Department of New and Renewable Energy and the Electricity and Renewable Energy Authority (EREA) are the main bodies regulating renewable energy projects. They are controlled by the Ministry of Industry and Trade, and their functions are limited. There is also an overlap of regulatory functions between EREA and the Electricity Regulatory Authority of Vietnam. The government could expand the role of EREA for governing renewable energy and increase its autonomy, thereby signalling a reinforced government emphasis on such energy sources. Alternatively, it could also set up a ministry (similar to India) or a separate and autonomous government authority regulating renewables (similar to Malaysia). This may help attract investors and prove effective in enhancing investment in renewable energy in the long term [4].

Action 2: Streamline the regulatory framework

Vietnam is among the leaders in the ASEAN region in terms of adopted regulatory and fiscal policies aimed at developing renewable energy (see Table 1). Renewable energy is part of Vietnam's Nationally Determined Contribution (NDC) under the Paris Agreement [5]. The feed-in tariffs policy is one of the most advanced in ASEAN. Vietnam made a decision to also introduce an auction mechanism in 2019 [6]. However, the regulatory framework for renewables remains complicated and this often leads to delays in project implementation [7]. Vietnam could thus focus on simplifying the regulations and improving implementation policies, making them more consistent and effective.

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Table 1. Vietnam's regulatory framework compared to other ASEAN countries (2020)

	Type of policy	Philippines	**Vietnam**	Indonesia	Malaysia	Thailand	Singapore	Myanmar	Lao PDR	Cambodia	Brunei Darussalam
Regulatory policies	Renewable energy in INDC or NDC	●	●	●	●	●	●	●	●	●	●
	Renewable energy targets	●	●	●	●	●	●	●	●		●
	Feed-in tariff/auctions/premium payment	●	●	●	●	●				●	
	Net metering/billing/direct consumption-supply	●	●	●	●		●				
	Biofuel blend obligation/mandate/target	●	●	●	●	●					
	Electric utility quota obligation/RPS	●	●	●	●						
	Tradable REC		●								
	Renewable heat obligation/mandate										
Fiscal incentives and public financing	Tax incentives	●	●	●	●	●		●	●	●	
	Public investment/loans/grants/subsidies/rebates	●	●	●	●	●	●		●		
	Reductions in sales, CO_2, VAT or taxes	●	●	●	●	●		●			
	Tendering	●		●	●		●				
	Investment or production tax credits	●	●	●							
	Energy production payment	●				●					

Sources: [8,9].

Action 3: Facilitate market entry for investors

In order to attract investors, the government needs to streamline market entry procedures and provide prioritised and easy access to investors dealing with renewable energy. As of 2020, investors need to deal with five separate government bodies, and this is viewed as one of the major barriers by investors [10] (see Table 2). If the tasks were better coordinated, streamlined and distributed between fewer bodies, it would make it easier to invest. The scope of responsibilities of each government body needs to be succinctly defined.

Table 2. Market entry scheme in Vietnam

Task	Government body
Basic company registration	Departments of Planning and Investment
Issuing licences for project development	General Directorate of Energy, Ministry of Trade and Industry
Issuing environmental licences	Ministry of Natural Resources and Environment
Issuing licences at regional level	Provincial People's Committees
Electricity off-taker	Electricity Power Trading Corporation, Vietnam Electricity

Action 4: Improve transparency and communication about the investment regime

Foreign investors do not have access to all the necessary renewable energy market and regulatory information in one place. The web-portal of the Foreign Investment Agency, which is part of Ministry of Planning and Investment, was not available in English until 2019. As of February 2020, there is an English webpage, but a search for 'renewable energy' on the webpage returns no hits. It is not easy to find the latest information on changes in the investment process and regulatory environment. Investors need to use multiple tools to learn about the market, and this raises the cost of market entry for them. The government could thus streamline the provision of information about renewable energy investment opportunities, regulatory requirements and opening a business.

Action 5: Improve grid expansion planning

Without improved electricity grid planning, any continued expansion of renewable energy and attracting of investment will be complicated. For instance, because of the limited grid infrastructure, 10 out of 25 solar projects in the Ninh Thuan province operated at only 30–40% of their capacity, resulting in losses of USD 21.7 million in 2019 [11]. The same problem is observed in the Binh Thuan province. Thus, the government could focus on better grid planning and expansion in its renewable energy governance and investment projects.

Action 6: Join IRENA to further build the capacity for renewable energy governance

The International Renewable Energy Agency (IRENA) is the main international organisation for developing technical and regulatory capacity in renewable energy and had 161 members in 2019. Vietnam is one of very few countries in the world not to join the organisation yet. Even war-torn and/or major oil-producing states such as Iraq, Russia and Saudi Arabia have joined. Joining IRENA can have both symbolic and practical effects. By choosing to stand outside IRENA, Vietnam is signalling that it is not interested in renewable energy. IRENA can provide targeted support and assistance for the fulfilment of Actions 1–5 above.

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