

Press release of Policy Dialogue on

"Auction Mechanism for Sustainable Development of the Renewable Energy Market".

In recent years, the Government has applied mechanisms for power generation projects using renewable energy (RE) resources such as: mechanism to encourage wind power development according to FIT price in Decision No. 37/2011 /QD-TTg dated 29th of June, 2011 and Decision No. 39/2018/QD-TTg dated 10th of September, 2018; solar power according to Decision No. 11/2017/QD-TTg dated 11th of April, 2017, or for biomass under Decision No. 24/2014/QD-TTg as amended by Decision No. 08/2020/QD - TTg dated 5th of March, 2020. Thanks to the incentive mechanisms of the Government, RE in Vietnam has made great progress, the total installed capacity of RE resources is up to 21,549 MW, accounting for 28% of the total installed capacity of the entire power system (77,982 MW)¹. In which, the installed capacity of solar power is 8,872 MW, rooftop solar power is 7,755 MW and wind power is 4,596 MW.

The FIT price mechanism applied to RE development projects has created a driving force for the market to have rapid and strong development steps. However, practice also reveals a number of problems as follows:

- Investors of power generation projects using RE shall be selected through direct assignment by a competent authority which is (i) the Prime Minister or (ii) the People's Committee of the province, depending on their competence. Most of the projects are approved by the local government, leading to the current situation of imbalance in power generation in the regions².
- The lack of synchronization between the power source and the transmission grid, the operation and regulation of the power market face many difficulties, requiring the upgrade of the smart grid system in real time. Along with the disadvantages of COVID-19 pandemic, the demand for power decreased, leading to sometimes, installed capacity of power plants have to be cut down to ensure system security and safety³.
- Feed-in tariff price (FIT price) for renewable energy projects "*has not yet promoted the development of a competitive energy market*" as stated in Resolution 55 of the Politburo on strategic orientation of national energy development of Vietnam to 2030, with a vision to 2045 ("Resolution 55").

¹ EVN electricity market operation report January 2022

² Luong Bang (2021), *Imbalance of power sources: North shortage, South surplus*, October 13, 2021, <https://vietnamnet.vn/vn/kinh-doanh/dau-tu/bac-thieu-nam-thua-giam-dien-than-tang-dien-khi-dien-gio-782405.html>;

³ M. Chung (2021), Ministry of Industry and Trade: Cutting solar and wind power is a mandatory situation, see more: <https://vneconomy.vn/bo-cong-thuong-cat-giam-dien-mat-troi-dien-gio-la-tinh-huong-bat-buoc.htm>;

To create a legal corridor for the sustainable development of renewable energy, the Government is studying regulations on the development mechanism of floating solar power projects, ground-mounted and rooftop solar power projects, and onshore wind power projects (hereinafter referred to as auction mechanism for short) in order to maintain the development of the market and *“firmly ensure national energy security; synchronously forming competitive and transparent energy market elements in line with the socialist-oriented market economic institution”* according to the vision of Resolution 55 to 2045.

In that context, Vietnam Initiative for Energy Transition (VIETSE) organized an online Policy Dialogue on "Auction Mechanism for Sustainable Development of the Renewable Energy Market". The dialogue was organized to introduce the study results of technical, socio-economic and legal in the implementation of the auction mechanism for the development of renewable energy projects in Vietnam. Following the research results, there was a multi-dimensional discussion with the participation of energy experts, economic analysts, lawyers as well as issues related to infrastructure development to meet the requirement for energy transition towards implementing net-zero carbon commitments by 2050 as announced by the Prime Minister at COP26.

At the beginning of the dialogue, Ms. Ngo To Nhien - Executive Director of VIETSE presented an overview of Vietnam's power system. The presentation gave an update of the market situation and operation of Vietnam's power system in 2021, including the current status of power structure, renewable energy projects connected to the grid as of December 2021, and potential projects. The presentation also summarizes all current policies for renewable energy development, the Government's expected objectives⁴ and policies related to the formation of a auction mechanism for future renewables energy projects.

Followed by a presentation by Assoc. Prof. Dr. Nguyen Hong Phuong - VIETSE's Power system expert on options for pilot auction mechanism of RE. The presentation pointed out the benefits that the auction mechanism will bring to the development of the renewable energy market in Vietnam, Sustaining a competitive process for renewable investment with optimal costs, Combining the renewable target with renewable deployment hand-in-hand with the grid expansion plan, Developing a set of ranking criteria including technical potential, capability of releasing renewable generation, and land-use capability with the associated weighting factors to be tuned according to political and/or economical goals; Having a possibility to adjust capacity volume flexibly after each auction round.

In addition to the technical solutions that Assoc. Dr. Nguyen Hong Phuong mentioned, Dr. Le Duy Binh - Economic Expert, Director of Economica, also presented the co-benefits analysis and assessment of stakeholders (Ministry of Industry and Trade, People's Committee of province/city, electricity buyers and investors) in the sustainable development of the renewable energy market such as medium and long term budget benefits; contribute to local economic development; infrastructure and community development; rational

⁴ Draft of Power Development Plan VIII, version November 2021.



and efficient use of land and resources as well as contributing to the overall goal of reducing greenhouse gas emissions of the nation, through the presentation “Economic feasibility assessment and Co-benefits of RE implementation”.

Finally, Nguyen Hung Quang, Esq - Founder, CEO of Nhquang&Associates, gave a presentation on policy assessment on auction mechanism for RE. Mr. Quang gave an overview of the current legal framework on auction/bidding mechanism to select investor that can be applied to renewable energy projects in Vietnam, outstanding issues in current auction mechanism as well as suggestions and recommendations

To have a multi-dimensional view of the RE auction mechanism as well as issues related to infrastructure for the development of the power industry. Ms. Ngo To Nhien coordinated the discussion session with over 240 online participants and delegates who are policy makers, experts and businesses in the energy sector. Distinctive panelists who participated in the discussion include:

- Dr. Nguyen Dinh Cung - Senior Macroeconomics Expert, Director of Economica Vietnam
- Dr. Le Duy Binh - Senior Economics Expert
- Nguyen Hung Quang, Esq - Policy Research Expert, CEO of Nhquang&Associates
- Assoc. Prof. Dr. Nguyen Hong Phuong - VIETSE’s Power System Expert
- MSc. Tran Do Thanh - Representative of Renewable Energy Investor, CEO of D&T Technology and Development JSC, Former Deputy General Director of T&T
- MSc. Nguyen Quang Minh, Director of Center for Training and Electricity market Development research, Electricity Regulatory Authority of Vietnam (ERAVCTED)
- MSc. Duong Viet Duc - Power Transmission Grid System Expert, EVNNPT

The participation of experienced experts has delivered a straightforward and insightful discussion with helpful information to all audiences. The presentations in the Dialogue are available for [download here](#).

Sincerely,