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Latest News on solar energy in Vietnam

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### Read in this issue:

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#### → Legal updates on solar energy in Vietnam

- Revising rooftop price policy from net-metering to gross-metering
- Draft Decree on new solar projects after 30 June 2019

The first quarter of 2019 witnesses key evolutions of policies and laws on renewable energy sector in Vietnam.

## → Legal updates on solar energy in Vietnam

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### Revising rooftop price policy from net-metering to gross-metering

On 8 January 2019, the Prime Minister of Vietnam promulgates Decision 02/2019/QĐ-TTg setting out the revised price policies for rooftop solar energy projects in Vietnam.

Specifically, from 8 January 2019, the rooftop solar energy projects shall apply “gross-metering” in lieu of the “net-metering” mechanism for trading generated electricity.

As such, the rooftop solar project shall implement the electricity trading mechanism separately in the delivery and receiving directions of bidirectional measuring meter. The electricity seller makes payment for electricity received from the grid; and the electricity buyer (i.e. Electricity of Vietnam or its subsidiaries, “EVN”) pays for electricity generated from the rooftop and delivered to the grid, at the price as specified for grid-connected solar power project. Interestingly, the buying tariff for grid-connected solar power

project is based on US-dollar, currently fixed at USD 9.35 cents and will be converted to VND annually based on the basis of central exchange rate promulgated by the State Bank of Vietnam. This buying feed-in-tariff is effective until 30 June 2019.

Previously, the Decision No 11/2017/QĐ-TTg dated 11 April 2017 (“Decision 11”, which is the key legislative document) requires rooftop projects to implement the “net-metering” mechanism by using two-way measuring meters. If the amount of electricity generated is greater than the amount of electricity consumed during a payment cycle, the exceeded amount will be transferred to the next payment cycle. At the end of the year or of the termination of the Power Purchase Agreement (“PPA”), the exceeded electricity will be sold to EVN at the current Feed-in-tariff price

**This current changes due to a raising difficulties blocking EVN to sign PPA with clients for rooftop project since there is no tax regulations applicable for “net-metering” mechanism of solar rooftop project.**

### Draft Decree on new solar projects after 30 June 2019

On 25 February 2019, the Ministry of Industry and Trade released its latest draft proposal for Decision on mechanism for encouraging solar projects in Vietnam (“Draft Decision”). This Draft Decision is intentionally replaced the current Decision 11/2017/QĐ-TTg dated 11 April 2017, which will be no longer effective from 30 June 2019.

As such, the Draft Decision shall be concluded and promulgated by the Prime Minister of Vietnam for an entrance in force from 1 July 2019.

Key proposal includes:

#### **(i) Direct Corporate Power Purchase Agreement (“DPPA”)**

It is the first time that the Vietnamese Government officially sets out a proposed regulations for DPPA. It was expected that the DPPA will be piloted in Vietnam in 2019.

Under the Draft Decision, a DPPA is defined as a model designed for sale and purchase of power where individual or organization invests, generates and sells electricity generated from rooftop solar project to other individuals and organizations, without connecting to and using the national electricity grid.

The proposed DPPA model is only applied for rooftop solar projects.

For DPPA which is not connected to the national grid, the buyer and seller of DPPA are free

to negotiate the electricity price and sign DPPA in accordance with current civil and commercial laws. The excess of generated electricity is permitted to be sold to EVN based on the feed-in-tariff set out by the Vietnamese Government.

## (ii) Classification of solar power projects

While Decision 11 only made a simple distinction between grid-connected solar energy projects and rooftop solar energy projects, the Draft Decision now classifies solar energy projects into four different groups, which are based on the solar technology deployed by each project. These includes:

- Rooftop solar project: solar project having photovoltaic panel installed in the rooftop or at construction works having capacity less than or equal to 1MWp. Rooftop solar project is not connected to the grid.
- Floating solar power projects: solar project with photovoltaic panels installed on structures floating on the water surface, directly connected to the national grid of the power purchasers (i.e. EVN and its subsidiaries);

- Land-mounted solar projects: comprises of (i) solar power projects with photovoltaic panels installed on the land, directly connected to the national grid; and (ii) rooftop solar power projects having an installed capacity of more than 1 MWp and directly connected to the national grid;

- Integrated storage system solar project: solar power projects using an electrochemical storage system for the purposes of storing electrical power directly connected to the national grid, with a required minimum storage capacity being 25% of alternating current capacity in 2 hours.

The purpose of new classification of solar project is to serve for the FiT new format.

## (iii) New Feed-in-tariff (“FiT”) format

The Draft Decision proposes a new FiT format which varies from irradiance regional classification. This is a huge change to the current FiT format where there is only one unified tariff for all solar projects in all over Vietnam.

These specific FiTs proposed based on the classification of irradiance includes 4 regions as below:

Solar Power Technologies	Region 1		Region 2		Region 3		Region 4	
	VND	USD cent	VND	USD cent	VND	USD cent	VND	USD cent
Floating solar project	2,159	9.44	1,857	8.13	1,664	7.28	1,566	6.85
Land-mounted solar project	2,102	9.20	1,809	7.91	1,620	7.09	1,525	6.67
Integrated system solar project	-	-	-	-	1,994	8.72	1,877	8.21
Rooftop solar project	2,486	10.47	2,139	9.36	1,916	8.38	1,803	7.89

The proposed FiT format is exclusive of VAT. The actual FiT is converted to VND based on the exchange rate of USD versus VND annually.

The proposed classification of irradiance regions are promulgated by the Ministry of Industry and Trade, includes:

Region 1 (28 provinces)	Ha Giang, Bac Can, Cao Bang, Tuyen Quang, Thai Nguyen, Lao Cai, Yen Bai, Lang Son, Quang Ninh, Phu Tho, Vinh Phuc, Bac giang, Hai Duong, Hoa Binh, Ha Noi, Ha Nam, Bac Ninh, Hung Yen, Hai Phong, Ninh Binh, Thai Binh, Ha Tinh, Nam Dinh, Quang Binh, Thanh Hoa, Lai Chau, Nghe An, Son La
Region 2 (6 provinces)	Quang Tri, Dien Bien, Thua Thien Hue, Quang Nam, Da Nang, Quang Ngai
Region 3 (23 provinces)	Kom Tum, Ca Mau, Hau Giang, Binh Dinh, Bac Lieu, Kien Giang, Soc Trang, Can Tho, Vinh Long, Tra Vinh, Lam Dong, Ben Tre, Tien Giang, An Giang, Dak Nong, Ho Chi Minh City, Dong Nai, Dong Thap, Ba Ria Vung Tau, Long An, Binh Duong, Binh Phuoc, Tay Ninh
Region 4 (6 provinces)	Phu Yen, Gia Lai, Dak Lak, Khanh Hoa, Ninh Thuan, Binh Thuan

For illustration of Vietnam's irradiance regions, please refer to a Vietnam's Potential Irradiance Map (Credit: © 2017 The World Bank, Solar resource data: Solargis. Available at <https://solargis.com/maps-and-gis-data/download/vietnam/>).

**It could be seen that the new FiT, if approved, would materially impact to the solar power projects in Vietnam, from financial viewpoints. Regions with higher irradiance is imposed a lower FiT whilst remote regions with lower irradiance is imposed a higher FiT.**

The new FiT format is applicable for a solar power project reaching the commercial operation date before 2021. The specific date is not yet confirmed. The new format is still applicable for a PPA of 20 years term from commercial operation date.

The Draft Decision is still open for public comments and contributions. Corporate and individual, regardless of foreign or domestic investor could seeks to contribute their comments via trade associations (such as European Chamber of Commerce in Vietnam or their representative of trade association in Vietnam).

Please do not hesitate to consult directly with our Vietnam's office for further more insight, specific assessments and forecast to this important change of solar power energy policies in Vietnam, expectedly from 30 June 2019.

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