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RENEWABLE ENERGY

Vietnam

LEXOLOGY

Renewable Energy

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Generated on: February 17, 2024

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MARKET FRAMEWORK

Government electricity participants

Who are the principal government participants in the electricity sector? What roles do they perform in relation to renewable energy?

The principal government participants in the electricity sector in Vietnam include several central government entities and regulatory bodies. These entities play various roles in regulating, promoting and overseeing renewable energy:

Ministry of Industry and Trade

The Ministry of Industry and Trade (MOIT) is a key central government agency responsible for formulating and implementing energy policies. The MOIT plays a crucial role in promoting renewable energy development by setting policies, regulations and incentives to encourage investment in the sector. The MOIT issues permits and licences for energy projects, including renewable energy.

Electricity Regulatory Authority of Vietnam

The Electricity Regulatory Authority of Vietnam (ERAV) is responsible for regulating and overseeing the electricity sector. The ERAV plays a significant role in setting tariffs, ensuring compliance with regulations, and promoting fair competition in the electricity market. They have a role in shaping the regulatory framework for renewable energy, including feed-in tariffs (FiTs) and power purchase agreements (PPAs).

Vietnam Electricity

Vietnam Electricity (EVN) is a state-owned enterprise responsible for electricity generation, transmission and distribution. EVN is a major player in the electricity sector, and it plays a central role in the integration of renewable energy into the national grid. EVN enters into agreements with renewable energy producers for the purchase of electricity generated from renewable sources.

Department of Energy Efficiency and Sustainable Development

The Department of Energy Efficiency and Sustainable Development, under the MOIT, focuses on energy efficiency and sustainable development, including the promotion of renewable energy sources. They are involved in developing policies and initiatives to improve energy efficiency and reduce the environmental impact of the energy sector.

Ministry of Natural Resources and Environment

The Ministry of Natural Resources and Environment is responsible for environmental protection and natural resource management. They play a role in the permitting and environmental impact assessment processes for renewable energy projects to ensure that these projects adhere to environmental standards.

People's Committees (at the provincial level)

Provincial People's Committees permit and facilitate renewable energy projects within their provinces. They often collaborate with central government authorities to issue land use permits and other local-level approvals necessary for renewable energy projects.

Law stated - 8 February 2024

Private electricity participants

Who are the principal private participants in the electricity sector? What roles do they serve in relation to renewable energy?

The electricity sector in Vietnam involves several principal private participants who play various roles in the development and operation of renewable energy projects. These private participants include:

Independent Power Producers

Independent Power Producers (IPPs) are private companies that develop, finance and operate power generation projects, including renewable energy projects. In Vietnam IPPs have been instrumental in developing solar, wind and other renewable energy projects. They invest in the infrastructure, secure financing and often enter into power purchase agreements (PPAs) with government-owned entities like EVN to sell the electricity generated from renewable sources.

Renewable energy project developers

These are private companies specialising in the development of renewable energy projects. They identify suitable sites, obtain permits, secure financing and oversee the construction and operation of renewable energy facilities. Developers play a critical role in bringing renewable energy projects to fruition.

Renewable energy investors

Private equity investors, venture capitalists and other financial institutions invest in renewable energy projects in Vietnam.

Engineering, Procurement and Construction Firms

Engineering, Procurement and Construction (EPC) firms are private companies that provide engineering, procurement and construction services for renewable energy projects.

Equipment manufacturers and suppliers

Private companies that manufacture and supply renewable energy equipment and components, such as solar panels, wind turbines and inverters.

Renewable energy service providers

Private companies offering services related to renewable energy, such as project management, maintenance and consulting, contribute to the sector's growth and sustainability.

Investment banks and financing institutions

Private financial institutions, including investment banks and commercial banks, play a critical role in providing financing and investment options for renewable energy projects. They offer loans, credit facilities and project financing to support project development.

These private participants in the electricity sector in Vietnam work in collaboration with government authorities, state-owned utilities like EVN and regulatory bodies to develop and operate renewable energy projects. They are essential in driving investment and innovation in the renewable energy sector and help Vietnam meet its renewable energy goals.

Law stated - 8 February 2024

Definition of 'renewable energy'

Is there any legal definition of what constitutes 'renewable energy' or 'clean power' (or their equivalents) in your jurisdiction?

Article 43 of the Law on Environmental Protection No. 55/2014/QH13 of the National Assembly of Vietnamdated 23 June 2014 stipulates the definition of renewable energy as follows:

'Renewable energy refers to energy that comes from resources such as water, wind, sunlight, geothermal heat, tides, waves, biological fuels and other resources that can generate renewable energy.'

However, the Law on Environmental Protection 2014 expired on 1 January 2022 and was replaced by the Law on Environmental Protection No. 72/2020/QH14 of the National Assembly of Vietnam dated 17 November 2020. The Law on Environmental Protection 2020 no longer stipulates the definition of renewable energy, but many provisions of this law still mention issues of using renewable energy (along with clean power).

Law stated - 8 February 2024

Framework

What is the legal and regulatory framework applicable to developing, financing, operating and selling power and 'environmental attributes' from renewable energy projects?

The legal and regulatory framework applicable to developing, financing, operating and selling power and 'environmental attributes' is dispersed throughout various legal documents under Vietnamese laws. In particular:

- General laws: Law on Investment, Law on Environmental Protection, Law on Construction, Law on Land, etc and their guiding documents.
- Specialised laws: Law on Electricity.

There is no written certificate issued by the competent authority in Vietnam in relation to 'environmental attributes'. However, to facilitate the investment of projects with

'environmental attributes', Vietnamese laws provide certain incentives for these projects, for instance, decrease or exempt corporate income tax, import duties and land use fees.

Law stated - 8 February 2024

Stripping attributes

Can environmental attributes be stripped and sold separately?

Vietnamese laws do not recognise or provide the legal framework for the sale and purchase of environmental attributes. These rights are then often negotiated and agree amongst private parties (eg, in direct power purchase agreements (DPPAs)).

Law stated - 8 February 2024

Government incentives

Does the government offer incentives to promote the development of renewable energy projects? In addition, has the government established policies that also promote renewable energy?

The Vietnamese government has implemented various incentives and policies to promote the development of renewable energy projects. These incentives and policies include:

FiTs

Vietnam has established FiTs for various renewable energy sources, such as solar and wind power. These FiTs guarantee fixed prices for the electricity generated from renewable sources and are considered one of the key incentives for project developers.

PPAs

The government enters into PPAs with renewable energy project developers, such as independent power producers. These agreements ensure that electricity generated from renewable sources is purchased by government-owned entities, like EVN, at predetermined rates.

Tax incentives

The government offers tax incentives to encourage investment in renewable energy projects. These incentives include exemptions, reductions, or deferrals of corporate income tax, value-added tax (VAT) and import duties for equipment and materials used in renewable energy projects.

Law stated - 8 February 2024

Government incentives

Are renewable energy policies and incentives generally established at the national level, or are they established by states or other political subdivisions?

Renewable energy policies and incentives are primarily established at the national level. The Vietnamese government, through its central authorities, plays a pivotal role in formulating and implementing policies and incentives to promote renewable energy development. Key agencies at the national level, such as the MOIT and the ERAV, are responsible for establishing FiTs, PPAs and other national-level incentives and regulations.

However, while national-level policies and incentives are prominent, certain aspects of renewable energy development can be influenced by local or provincial authorities. Provincial People's Committees are involved in permitting and land use approvals for renewable energy projects within their jurisdictions. Local authorities often have some influence over the specific implementation and development of renewable projects in their regions, though these actions are generally within the framework of national policies.

Law stated - 8 February 2024

Purchasing mechanisms

What mechanisms are available to facilitate the purchase of renewable power by private companies?

In Vietnam, private companies may purchase power from EVN or a private power project owner. In the case of power purchase from EVN, the purchase price will be fixed and non-negotiable. However, in the case of the purchase of renewable power from private power project owners, the purchaser and seller may directly negotiate the purchase price through the DPPA mechanism.

Law stated - 8 February 2024

Legislative proposals

Describe any notable pending or anticipated legislative proposals regarding renewable energy in your jurisdiction.

The Vietnamese government is expected to complete the detailed and effective legal framework for certain electricity support sectors stipulated in the eighth national Power Development Plan, for the period of 2021–2030, with a vision for 2050 (PDP8) as well as to promote market liberalisation, renewable energy integration and power market operation, including:

- Establishment of a competitive auction system for renewable energy projects;
- Establishment of a renewable energy development plan;
- Legal framework to facilitate Public-Private Partnerships (PPPs) in the energy sector;
- Promulgation of an amended Electricity Law and a new Law on Renewable Energy;
- A bidding scheme for investor selection and power tariffs, to be done concurrently with the Electricity Law amendment;

- Improvement of the price management mechanism;
- Legal framework on DPPA;
- Transmission compensation policies/regulations; and
- Mechanisms and policies to promote electricity imports, especially from Laos through agreements and memorandums of understanding between the two governments.

Law stated - 8 February 2024

Drivers of change

What are the biggest drivers of change in the renewable energy markets in your jurisdiction?

The push for renewable energy is driven by a combination of national and global factors. The government recognises that environmentally oriented policies are crucial for sustaining economic growth, job creation and improved living standards. The focus is on meeting future power demands with renewable energy, including wind and solar, and transitioning away from coal to natural gas, biomass and hydrogen.

Some provincial authorities have rejected power projects due to their environmental impact. Vietnam's relatively low rates of fossil fuel subsidies compared to neighbouring countries encourage investments in cleaner alternatives. Environmental organisations actively promote wind and solar power. Health concerns are another significant driver, as coal-fired power stations have led to air pollution and related health issues. Efforts to control air pollution have shown improvement.

Renewable energy, supported by well-designed policies, is seen as a way to bring decentralised development and more equitable economic opportunities, particularly in remote and economically disadvantaged regions of Vietnam.

Law stated - 8 February 2024

Disputes framework

Describe the legal framework applicable to disputes between renewable power market participants, related to pricing or otherwise.

The legal framework applicable to disputes between renewable power market participants in Vietnam is primarily governed by a combination of legal regulations and contractual arrangements, including dispute resolution mechanisms specified in contracts. The main aspects of this legal framework include:

Negotiation and mediation

Before pursuing formal legal proceedings, parties involved in a dispute may engage in negotiation and mediation to reach an amicable resolution. Mediation is a common method used to resolve disputes, and there are both public and private mediation services available in Vietnam.

Arbitration

In some cases, parties may opt for arbitration to resolve disputes related to pricing or other matters. The Vietnam International Arbitration Center (VIAC) is a well-known institution for commercial dispute resolution in Vietnam. VIAC provides arbitration and mediation services, and its decisions are legally binding.

Judicial process

If negotiations, mediation and arbitration do not lead to a satisfactory resolution, parties may resort to the judicial system. The Vietnamese court system, including the People's Courts at various levels, can handle disputes related to renewable power market participants. However, litigation in the court system may be time-consuming and may not always be the preferred method of resolution.

Regulatory authorities

In some cases, disputes may involve regulatory issues, such as compliance with renewable energy regulations or FiTs. Participants may need to engage with relevant regulatory authorities, such as the ERAV, to resolve these disputes.

Law stated - 8 February 2024

UTILITY-SCALE RENEWABLE PROJECTS

Project types and sizes

Describe the primary types and sizes of existing and planned utility-scale renewable energy projects in your jurisdiction.

The eighth national Power Development Plan (PDP8) has identified the following generation targets by 2030:

- Solar: 12,836 MW (megawatts)
- Onshore wind: 21,880 MW
- Offshore wind: 6,000 MW
- Biomass: 2,270 MW
- Hydropower: 36,016 MW
- Pumped hydropower: 2,400 MW
- Battery storage: 45,550 MW

Law stated - 8 February 2024

Development issues

What types of issues restrain the development of utility-scale renewable energy projects?

The development of utility-scale renewable energy projects in Vietnam faces a range of complex challenges, including:

- grid integration issues arise due to the intermittent nature of renewables, leading to grid congestion that may result in PPA-permitted curtailment;
- regulatory changes or long lead time to regulatory change implementation. In many instances generation-specific regulations are currently under development or planning, we will then see a focus on one generation type based on the issuance of a regulation directed to incentivise that generation source;
- uncertain mechanism for the future competitive retail market; and
- lack of unified guidance on key permits such as construction permits, firefighting approvals and permitting requirements to build rooftop solar.

Law stated - 8 February 2024

HYDROPOWER

Primary types of project
Describe the primary types of hydropower projects that are prevalent.

The primary types of hydropower projects in Vietnam include:

- Conventional hydropower projects

Typically, hydropower projects have a capacity of over 30 MW and may follow a build-operate-transfer scheme. Some notable hydropower plants in Vietnam include the 1,920 MW Hoa Binh Hydropower Plant and the 2,400 MW Son La Hydropower Plant.

- Small scale hydro power projects

Small and mini hydropower projects are relatively small-scale facilities with the capacity of up to 30 MW. These projects are typically used for localised power generation in rural and remote areas. They are often privately owned and operated by local entities or investors.

Ownership and offtake structures

Ownership structures for hydropower projects in Vietnam can vary. Large-scale projects are often developed and operated by state-owned enterprises, such as Vietnam Electricity (EVN). Small-scale projects, especially small and mini hydropower plants, may involve private ownership or joint ventures between private and state-owned entities. The offtake structure typically involves PPAs between project developers and EVN or other authorised entities.

Law stated - 8 February 2024

Primary types of project
What legal considerations are relevant for hydroelectric generation in your jurisdiction?

Hydropower generation in Vietnam involves several legal requirements, including:

- permitting and licensing;
- conducting environmental impact assessments;
- addressing land use and potential resettlement issues;
- water rights and resource management;
- grid connection and power purchase agreements;
- dam safety and regulations;
- decommissioning and site restoration plans;
- compliance with water laws and community rights;
- liability and insurance;
- government incentives; and
- foreign ownership and investment regulations (if applicable).

Navigating these legal aspects is crucial for the development, operation and decommissioning (or transfer) of hydropower projects in Vietnam while ensuring compliance with local regulations and environmental standards.

Law stated - 8 February 2024

DISTRIBUTED GENERATION

Prevalence

Describe the prevalence of on-site, distributed generation projects.

On-site distributed generation projects, particularly in the form of solar rooftop systems, are increasingly prevalent in Vietnam. These projects allow businesses and property owners to generate electricity on-site, reducing their reliance on the national grid and often enabling them to sell excess power back to the grid through net metering arrangements. The commercial and industrial sectors adopted solar rooftop systems at a notable rate, with businesses and enterprises investing in rooftop solar projects to reduce electricity costs and promote sustainability. In addition to solar, small-scale wind turbines and behind-the-meter generation systems are also being deployed to meet on-site energy needs. These projects continue to increase under private power purchase agreements (PPAs) and battery energy storage solutions.

In rural areas, off-grid solutions, including solar microgrids and mini hydroelectric projects, power communities and farms unconnected to the national grid. The Vietnamese government supports these initiatives with policies like net metering and feed-in tariffs (FiTs) to encourage small-scale renewable projects, promote energy self-sufficiency, alleviate grid demand and encourage renewable energy adoption. The eighth national Power Development Plan (PDP8) has confirmed a commitment to increase the national grid's presence, increasing rural electrification.

Law stated - 8 February 2024

Types

Describe the primary types of distributed generation projects that are common in your jurisdiction.

Solar power projects, specifically solar rooftop systems, are prominent in Vietnam's distributed generation landscape. Ownership structures vary, however recently foreign-invested companies either sell power or the panels to Vietnam-registered entities that either buy the generated power or the panels to self-generate power. Excess power generated from these systems has historically been delivered and sold to Vietnam Electricity (EVN).

Law stated - 8 February 2024

Regulation

Have any legislative or regulatory efforts been undertaken to promote the development of microgrids? What are the most significant legal obstacles to the development of microgrids?

PDP8 identifies a direct power purchase agreement (DPPA) scheme, which is pending further regulations. An approved DPPA scheme would give guidance to allow further development of this segment.

Law stated - 8 February 2024

Other considerations

What additional legal considerations are relevant for distributed generation?

Certain legal considerations could be developed for distributed generation. These include:

- net metering regulations, which govern how excess energy is credited or compensated;
- consumer protection laws for third-party owned residential solar projects;
- grid connection rules;
- environmental and land use compliance;
- taxation and incentives;
- contractual agreements;
- market regulations;
- grid stability;
- liability;
- insurance requirements; and
- data privacy and cybersecurity.

These legal aspects impact the viability, compliance and operation of distributed generation projects and should be addressed to ensure their success.

Law stated - 8 February 2024

ENERGY STORAGE

Framework
What storage technologies are used and what legal framework is generally applicable to them?

The technologies of energy storage have not been well developed by renewable projects in Vietnam. However, the government has taken bold steps in the eighth national Power Development Plan (PDP8) to allow for energy storage to set the foundation for a green, resilient and secure power system. Accordingly, Vietnam is just embarking on its journey to develop the energy storage technologies, including battery energy storage systems and pumped hydro storage.

Law stated - 8 February 2024

Development
Are there any significant hurdles to the development of energy storage projects?

There are certain obstacles in place for the development of energy storage projects. There has been no clear legal framework for energy storage projects, including incentives for energy storage projects, integration of energy storage into the grid infrastructure, unclear permitting requirements for greenfield battery energy storage.

Law stated - 8 February 2024

FOREIGN INVESTMENT

Ownership restrictions
May foreign investors invest in renewable energy projects? Are there restrictions on foreign ownership relevant to renewable energy projects?

Foreign investors may invest in renewable energy projects. This is achieved mainly by acquisition of shares/equity of project companies or owners of project companies. There are no restrictions on foreign ownership. However, before proceeding with the acquisition, foreign investors must obtain approval for acquisition of shares/capital contribution/equity issued by a provincial Department of Planning and Investment. There are also consolidation/merger considerations, which may result in a notice of consolidation being required to be submitted to the Vietnam Competition Commission.

Law stated - 8 February 2024

Equipment restrictions

What restrictions are in place with respect to the import of foreign manufactured equipment?

Vietnam applies import tariffs to various renewable energy equipment, with rates varying by equipment type and origin. Importers often need licences and certifications to ensure product quality and safety, while adherence to international standards may also be required. To support renewable energy projects, the Vietnamese government provides certain incentives, including exemptions from import duties and taxes for specific equipment, streamlining the procurement process and reducing costs for project developers and investors.

Law stated - 8 February 2024

PROJECTS

General government authorisation

What government authorisations must investors or owners obtain prior to constructing or directly or indirectly transferring or acquiring a renewable energy project?

Investors or owners of renewable energy projects in Vietnam must obtain several government authorisations and permits before constructing, transferring, or acquiring such projects. The specific requirements and authorisations may vary depending on the type and size of the projects, but the following are common authorisations and permits typically required:

Investment Registration Certificate

Before initiating a renewable energy project, investors must obtain an Investment Registration Certificate (IRC). This is the first step in the project development process and is required to establish the legal basis for the investment.

Land Use Right Certificate or Land Lease Agreement

Access to suitable land is crucial for renewable energy projects. Investors must secure a Land Use Right Certificate or enter into a Land Lease Agreement with the landowner. This authorisation is essential for land access and development.

Environmental impact assessment approval

Environmental impact assessments (EIA) are required for most renewable energy projects in Vietnam. Developers must obtain approval for the EIA from the Ministry of Natural Resources and Environment (MONRE). This approval ensures that the project adheres to environmental standards and mitigates potential ecological impacts.

Construction permit

A construction permit is necessary for the construction of the renewable energy project. It is issued by local construction authorities and is a prerequisite for commencing construction activities.

Grid connection agreement

To connect the renewable energy project to the national grid, investors must negotiate and sign a grid connection agreement with Vietnam Electricity (EVN) or other authorised grid operators.

Power purchase agreement

If the project involves selling electricity to the grid, investors need to negotiate and sign a power power agreement (PPA) with EVN or other relevant entities. The PPA specifies the terms, conditions and prices for selling electricity.

Power generation licence:

A power generation licence is required for the legal operation of a renewable energy project. It is typically issued by the Electricity Regulatory Authority of Vietnam (ERAV) or another relevant regulatory authority. This licence grants the holder the right to generate electricity from the renewable energy source.

Power operation licence:

Following the construction phase, project owners must obtain a power operation licence to legally operate the renewable energy facility. This licence is typically issued by ERAV or another relevant regulatory authority.

Other Permits and Licences:

Depending on the specific characteristics of the project, additional permits and licences may be required, such as water use permits for hydropower projects, offshore wind studies, or permits related to environmental monitoring and reporting.

Law stated - 8 February 2024

Offtake arrangements

What type of offtake arrangements are available and typically used for utility-scale renewables projects?

Utility-scale renewable projects in Vietnam often involve PPAs with various types of offtakers, in which EVN is the state-owned utility responsible for electricity generation, transmission and distribution. EVN often acts as the primary offtaker for utility-scale renewable projects. EVN's creditworthiness has been a concern for project developers and investors. It may not always have an investment-grade credit rating. Some renewable projects in Vietnam may enter direct power purchase agreements (DPPAs) with large industrial or commercial consumers. These consumers agree to purchase electricity directly from the project, bypassing EVN. If a private transmission line is owned and can service the DPPA, then no wheel-through or EVN transmission performance is necessary. There is a draft DPPA model

proposed that would essentially create contract for differences, allowing the DPPA parties to use the EVN grid on a wheel-through basis. The creditworthiness of these offtakers can vary. Large industrial consumers may have a relatively stronger credit profile compared to smaller entities however the option to sell to the grid excess power procured through the DPPA bolsters the creditworthiness of the DPPA arrangement.

Law stated - 8 February 2024

Procurement of offtaker agreements

How are long-term power purchase agreements procured by the offtakers in your jurisdiction? Are they the subject of feed-in tariffs, the subject of multi-project competitive tenders, or are they typically developed through the submission of unsolicited tenders?

In Vietnam, long-term PPAs for renewable energy projects have typically been procured through a combination of feed-in tariffs (FiTs) and competitive tenders. The specific approach has evolved over time, and both FiTs and competitive tenders have played significant roles.

FiTs

FiTs have been a common mechanism for procuring PPAs for renewable energy projects. The Ministry of Industry and Trade (MOIT) set FiT rates for different types of renewable energy sources. These rates were guaranteed for a specified duration and provided a stable and predictable income for project developers. FiTs were an important driver for investment in renewable energy projects, particularly waste-to-energy, solar and wind.

Competitive tenders

Vietnam started to shift from FiTs to competitive tenders for larger-scale renewable energy projects. Competitive tenders were introduced to promote transparency, competition and cost efficiency. Through competitive bidding processes, project developers submit proposals, and the offtaker (often EVN) selects the winning projects based on various criteria, including the proposed tariff and technical specifications.

Direct negotiations

In some cases, long-term PPAs may be the result of direct negotiations between project developers and EVN, especially for smaller-scale renewable energy projects, cross-border supply, or projects developed before the shift towards competitive tenders. These agreements could be based on the prevailing FiT rates or negotiated terms.

Law stated - 8 February 2024

Operational authorisation

What government authorisations are required to operate a renewable energy project and sell electricity from renewable energy projects?

To operate a renewable energy project and sell electricity from renewable energy projects in Vietnam, several government authorisations and licences are typically required. The specific requirements may vary depending on the type and scale of the project, but the following authorisations are commonly necessary:

Power generation licence

A power generation licence is essential for the legal operation of a renewable energy project. It is typically issued by the ERAV or another relevant regulatory authority. This licence grants the holder the right to generate electricity from the renewable energy source.

Power operation licence

Following the construction phase, renewable energy project operators must obtain a power operation licence to legally operate the facility. This licence is issued by the ERAV or another relevant regulatory authority. It certifies that the project meets safety and operational standards.

Grid connection agreement

To connect the renewable energy project to the national grid, project operators must negotiate and sign a grid connection agreement with EVN or another authorised grid operator. This agreement outlines the technical and commercial terms of grid connection and power transmission.

PPA

If the project involves selling electricity to the national grid, project operators need to negotiate and sign a PPA with EVN or other relevant entities. The PPA specifies the terms, conditions and prices for selling electricity to the offtaker.

Environmental permits and approvals

Depending on the project's size and potential environmental impacts, various environmental permits and approvals may be required. This can include an environmental impact assessment (EIA) approval from the MONRE and other permits related to emissions, waste management and environmental monitoring.

Construction permit

A construction permit is needed to undertake construction activities during the project development phase. It is issued by local construction authorities.

Land use right certificate or land lease agreement

Project operators must secure a land use right certificate or enter into a land lease agreement with the landowner for land usage rights.

Environmental monitoring and reporting obligations

Project operators may have ongoing obligations related to environmental monitoring, reporting and compliance with emissions and environmental standards. These requirements ensure that the project operates in an environmentally responsible manner.

Law stated - 8 February 2024

Decommissioning

Are there legal requirements for the decommissioning of renewable energy projects? Must these requirements be funded by a sinking fund or through other credit enhancements during the operational phase of a renewable energy project?

When decommissioning a power generation plant in Vietnam, it is crucial to adhere to specific regulatory conditions specified in construction, environmental protection and related laws. In terms of construction requirements, the power grid structure must be dismantled and removed, and the land should be restored to its original state within six months of disconnecting the power grid from the system. To gain approval, comprehensive plans for management, dismantling and treatment must be developed in accordance with relevant laws and submitted to the appropriate authorities. There may be specific requirements for decommissioning funding negotiated on a case-by-case basis depending on the generation source (eg, offshore wind, large hydropower).

Law stated - 8 February 2024

TRANSACTION STRUCTURES

Construction financing

What are the primary structures for financing the construction of renewable energy projects in your jurisdiction?

There are various structures for financing the construction of renewable energy projects in Vietnam, including project finance from credit institutions (where project assets and cash flows secure debt financing); equity investment from project sponsors; foreign investment; other commercial financing; multilateral and bilateral agreements; development aid and grants from donor agencies.

Law stated - 8 February 2024

Operational financing

What are the primary structures for financing operating renewable energy projects in your jurisdiction?

The structures for financing the operation of renewable energy projects in Vietnam are the same for construction of projects, such as project finance from credit institutions (where project assets and cash flows secure debt financing); equity investment from project sponsors; foreign investment; other commercial financing; multilateral and bilateral agreements; development aid and grants from donor agencies.

Law stated - 8 February 2024

UPDATE AND TRENDS

Recent developments
Describe any market trends with respect to development, financing or operation in the renewables sector or other pertinent matters.

In the past few years, there has been a rapid growth in both solar and wind energy capacity in Vietnam. Upon the issuance of the eighth national Power Development Plan (PDP8), the Vietnamese government intends to promote further policies, incentives and feed-in tariffs for renewables projects. These policies aim to attract investment and facilitate the development and foreign investment of renewable energy projects. In addition, the government intends to transit from feed-in tariffs to a competitive auction system for new renewable energy projects. This transition is expected to make the renewable energy market more competitive and transparent.

Upon the increase of generation capacity, the Vietnamese government must be ready to face challenges for grid integration and stability and preparing strategies for development of energy storage to enhance the integration of renewables and grid stability. This can be achieved through privatised transmission lines, direct power purchase agreements and battery energy storage, which would alleviate grid congestion during peak times.

Law stated - 8 February 2024

Recent developments
Describe any notable pending or anticipated legislative proposals.

The Vietnamese government is expected to complete the detailed and effective legal framework for certain electricity support sector stipulated in PDP8 as well as to promote market liberalisation, renewable energy integration and power market operation, including:

- establishment of a competitive auction system for renewable energy projects;
- establishment of a renewable energy development plan;
- legal framework to facilitate public-private partnerships in the energy sector;
- promulgation of an amended Electricity Law and a new law on renewable energy;
- a bidding scheme for investor selection and power tariffs, to be done concurrently with the Electricity Law amendment;
- improvement of the price management mechanism;
- legal framework on direct power purchase agreements;
- transmission compensation policies/regulations; and
- mechanisms and policies to promote electricity imports, especially from Laos through agreements and memorandums of understanding between the two governments.

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