



FEBRUARY 2022

LEGAL UPDATE

WHAT'S NEW WITH RENEWABLES?

1. The MOIT Report on Wind and Solar Tariffs

After the feed-in-tariffs (**FiTs**) for domestic wind and solar power projects expired in 2021, the Vietnamese Ministry of Industry and Trade (**MoIT**) is revisiting the issue to propose new regulations to lawmakers.

In this vein, MoIT recently directed a report to the Prime Minister, which expands on the status quo of domestic wind and solar power FiTs. The proposed amendments are aimed at Decision 37/2011/QD-TTg (as amended by Decision 39/2018/QD-TTg) and Decision 13/2020/QD-TTg that define Vietnam's FiTs for renewable energies (**RE**).

MoIT recommends instructing local authorities to suspend the issuance of Investment Policy Decisions with respect to wind power and solar power projects that have been included in the Vietnamese National Power Development Plan No. 7 (NPDP VII) if they have not been implemented as of 26 January 2022. Additionally, MoIT suggests approving projects in the wind and solar industry that were included in the PDP VII and have been issued with an Investment Policy Decision before 26 January 2022.

To streamline the executive rollout of renewables, MoIT plans to issue a circular that guides methods on establishing electricity generation schemes, determining electricity prices, and providing model Power Purchasing Agreements (**PPAs**) for RE.

2. The DPPA Pilot Project

After MoIT's previous Report No. 94/BC-BCT and Document No. 229/VPCP-CN (**Document 229**) are the next points of discussion in Vietnam's plans to establish a pilot program for project owners to directly buy power from power generators in RE (**Pilot Project**). The intended Direct Power Purchase Agreements (**DPPAs**) enable the Vietnamese Office of the Government (**OOG**) to issue Document No. 229 to MoIT to push for an update of the draft regulations on the implementation of the Pilot Project.

The new mechanism that will be established under the Pilot Program enables renewable energy power generators to enter into direct contractual relations with major power consumers for the purchase of power. The Deputy Prime Minister, who is in charge of



the power sector, has formally agreed to assign MoIT to develop a new draft DPPA regulation to prepare a Prime Minister's decision on the issue. It shall take into consideration the transparency, efficiency, lawfulness and sustainable development of the domestic power sector. Other authorities at the state level, such as the Ministry of Finance, the Ministry of Planning and Investment, and the Ministry of Justice have also commented on this issue at the end of 2021.

The new draft of the Pilot Program implicates significant changes to the tariff mechanisms and transaction structures. As planned, eligible power consumers will buy power at the retail price instead of the spot market price. As the regulations that define the Pilot Program are still in their early stages and subject to further revision, MoIT and other authorities are likely to provide more details soon.

3. Grid Capacity Limitations

In the Vietnamese RE space, the limitation of grid capacity and power distribution have shifted into the centre of the discussion. Due to insufficient infrastructure to feed RE into the grid, Vietnam's National Load Dispatch Center (**NLDC**) announced at the end of January 2022 that it cannot add any more wind and solar power capacity to the national grid in 2022. Propelled by favorable FiTs, Vietnam managed to connect 4.46 GW of solar power capacity to the grid by end of June 2019. According to NLDC officials, this has had a major impact on Vietnam's grid resilience and peak power distribution. The total amount of electricity produced in and imported to Vietnam in 2022, including rooftop solar, is expected to add up to 275.5 billion kWh – an increase of 7.9 percent compared to last year.

For more information, please contact:

Thang Nguyen / Special Counsel
thang.nguyen@acsvlegal.com

Leif Schneider / Senior Associate
leif@acsvlegal.com

