

Client Alert

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Vietnam's Politburo issues Resolution on the orientation of the new National Energy Development Strategy to 2030 with a vision to 2045

Recent developments

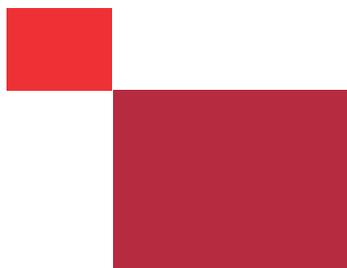
On 11 February 2020, the Politburo of Vietnam issued Resolution No. 55-NQ/TW on the orientation of the National Energy Development Strategy of Vietnam to 2030, with a vision to 2045 ("**Resolution No. 55**").

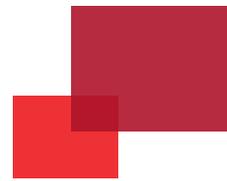
Resolution No. 55 provides for the prioritization of fast and sustainable energy development, while aiming to foster favorable conditions for all economic sectors, particularly the private sector, to participate in energy development. The Resolution further aims to eliminate subsidies, monopolies, opaqueness and unfair competition in the energy sector.

More specifically, Resolution No. 55 sets out the following key targets and policies:

General policies for energy

- Build a synchronous, competitive and transparent energy market with diverse forms of ownership and business models;
- Emphasize the integrated and reasonable development of diversified types of energy sources;
- Prioritize the thorough and efficient exploitation and use of renewable, new and clean energy sources;
- Use domestic fossil energy sources reasonably;
- Concentrate on the objective of stabilizing and regulating national energy reserves;
- Prioritize development of gas-to-power;
- Build a roadmap for the reasonable reduction of the power share of coal-fired power projects;
- Actively import fuels for power plants;
- Promote optimal distribution/allocation of national energy systems, in all fields, on the basis of the comparative advantages of each region or locality;
- Concentrate on research and application of Industry 4.0 achievements in the energy sector and its subsector development; and
- Accelerate digital transformation in the energy sector.





Specific Objectives

Key targets are to supply sufficient power and energy for domestic energy demands in order to meet the objectives of the 10 year (2021-2030) Socio-Economic Development Strategy, specifically:

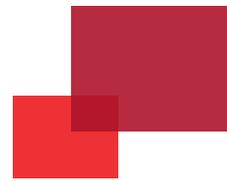
- Primary energy to reach approximately 175-195 million TOE (tons of oil equivalent) by 2030 and 320-350 million TOE by 2045;
- Total capacity of power sources to reach approximately 125-130 GW by 2030 and output to reach about 550-600 billion kWh;
- The share of renewable energy sources in the total primary energy supply mix to reach approximately 15-20% by 2030 and 25-30% by 2045;
- Total final energy consumption to reach 105-115 million TOE by 2030 and 160-190 million TOE by 2045;
- Primary energy intensity to reach 420-460 kgOE/1,000 USD GDP by 2030 and 375-410 kgOE/1,000 USD GDP by 2045;
- The ratio of energy efficiency on total final energy consumption compared to the business-as-usual (BAU) scenario to reach approximately 7% in 2030 and 14% by 2045; and
- Reduce greenhouse gas emissions from energy activities compared to the business-as-usual (BAU) scenario by 15% in 2030 and 20% in 2045.

Specific targets for oil and gas

- Oil refineries are to meet at least 70% of domestic demand and ensure a strategic petroleum reserve that is equivalent to at least 90 days of net imports; and
- Build adequate capacity to import approximately 8 billion of LNG m³ by 2030 and 15 billion m³ by 2045.

Specific policies for renewable energy

- Formulate breakthrough mechanisms and policies to encourage and promote the development of renewable energy sources in order to effectively replace fossil energy sources;
- Prioritize the use of wind and solar energy for electricity generation;
- Encourage investment in waste-to-energy power plants using urban waste, biomass and solid waste in parallel with environmental protection and circular economic development;
- Establish and develop a number of renewable energy centers in advantageous regions and localities;
- Engage in studies and assessment of the potential for developing geothermal energy, ocean wave energy, and tidal and ocean current energy;
- Formulate a number of pilot production projects and encourage the use of hydrogen in line with global trends; and
- For wind and solar power: prioritize the development of capacity in line with the ability to ensure power system safety through reasonable electricity tariffs; encourage the development of rooftop and floating



solar power; and enact breakthrough supportive policies and mechanisms for offshore wind power development in line with the implementation of the Vietnam Maritime Strategy.

Specific policies for coal-fired power plants

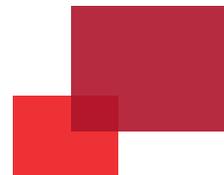
- For coal-fired thermal power: develop capacity at a reasonable pace, with priority given to large-capacity and high-efficiency units; and use advanced and modern technologies, such as ultra-supercritical (USC) technology;
- Ensure full compliance with laws on ecological and environmental safety in accordance with international standards; and
- Develop a plan for implementing technological upgrades to existing coal power plants in order to meet environmental protection requirements; and resolutely close power plants that do not upgrade their technologies in accordance with regulations.

Specific approaches and strategies

- Restructure energy consuming sectors to minimize energy intensity;
- Adopt policies prioritizing sustainable energy infrastructure development;
- Concentrate on the comprehensive restructuring of State-owned enterprises in the energy sector in order to: (i) focus on their core business, (ii) separate business functions from State management functions, (iii) apply advanced management models and practices as well as open and transparent operations in order to improve international credit ratings; and (iv) improve the efficiency of national energy infrastructure;
- Strengthen regulations on the assessment of resources and assets in accordance with international practices; and restructure inefficient and unprofitable projects and State-owned enterprises in the energy sector;
- Study and implement pilot mechanisms for the definite term or long-term sale or lease of State-owned power plants, terminals/fuel storages and oil refineries;
- Remove all barriers to ensure that energy prices are transparently determined by the market;
- Eliminate electricity tariff cross subsidy among groups of power consumers, regions and localities; and
- Improve market-based mechanisms, policies and tools to promote energy efficiency.

Resolution No. 55 also mentions the needs to:

- Amend and improve specialized laws on oil and gas, electricity and energy efficiency (economic and efficient use of energy) as well as other laws related to the energy industry, in order to form the basis for implementing more effective market-based mechanisms;
- Conduct studies and regulate the administration of electricity tariffs and incentives for projects encouraging investment in the energy sector;
- Improve the legal framework for electrical power control and distribution;



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- Integrate R&D into energy development strategies; and
- Conduct studies to formulate and pass a specialized law on renewable energy.

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If you would like to further discuss details of Resolution No. 55 or long or short-term priorities of the energy sector in Vietnam, please do not hesitate to contact us.