



Regulatory environment is still underdeveloped with low subsidies



Dang Dinh Thong



Georgina Hayden

## Vietnam's renewables sector cries foul on low subsidies

### VIETNAM

If Vietnam continues with its current energy policies, then non-hydro renewables capacity will likely just double over the next decade. Moreover, maintaining the low subsidies for wind power development will prevent the sector from reaching its full potential despite rich resources and keen investor interest.

Georgina Hayden, head of power & renewables at BMI Research, expects non-hydro renewables capacity to increase from just under 40MW in 2016 to just over 850MW by 2026, resulting in non-hydro renewables contributing less than 1% to the total electricity generation in the country by the end of

the forecast period in 2026. By contrast, thermal fuels, particularly coal-fired power generation, should see strong growth over the same period.

### Coal is still priority

Hayden reckons this unimpressive performance and projections for wind and other renewable energy sources can be attributed to low subsidies and higher government priority on coal. "Vietnam's regulatory environment for renewables remains underdeveloped and the wind subsidies that have been introduced by the government have been widely criticised for being too low and not ensuring an attractive return on

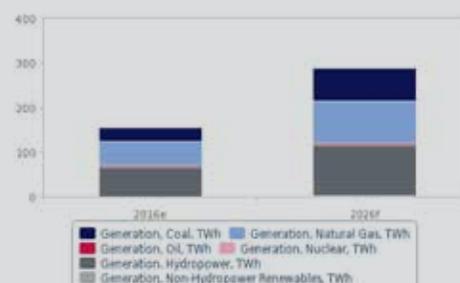
investment," says Hayden.

She believes that when the tariff was first introduced in 2011, investor interest in the market picked up, with the government registering 48 wind power projects for development. However, by the end of 2014, only three projects had been commissioned.

Đặng Đình Thống, deputy director of the Institute for Clean Energy, adds that the cost Vietnam offers is not attractive enough. "Our policy for solar energy development is varied from locality to locality. This has hindered potential investors. I recently conducted a survey and realised that quite a few investors who have already invested in solar energy production have faced difficulties from investment preparation to electric power EVN sales due to bureaucratic practices from different Vietnamese administrative echelons."

He admits that Vietnamese officials' renewable energy project appraisal capacity is limited. "Their knowledge about renewable energy is very poor. This is a key problem leading to the slow project proposal approval. In some cases, it led to 'wrong decisions' making the projects less efficient," he says.

### Renewables to make limited contribution

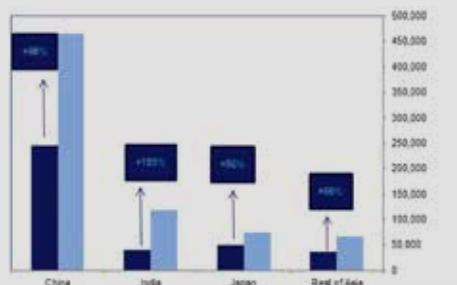


Source: BMI Research

## THE CHARTIST: ASIA WILL BE KING OF RENEWABLES IN THE NEXT DECADE

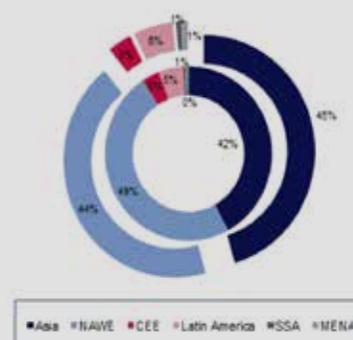
Asia is dominating the headlines when it comes to renewable energy, and it's for a good reason. It will drive global renewables expansion over the coming decade, as environmental policy implementation, the increasing cost-competitiveness of renewable energy and advances in green technology encourage deployment across countries in the region, according to BMI Research. It will be the largest region for installed renewables capacity over the coming 10 years to 45% of the total, overtaking North America and Western Europe. The growing cost-competitiveness of wind and solar with conventional power sources, due to falling installation costs, is an important driving force behind this. In Asia, this dynamic is exacerbated by close proximity and access to low-cost Chinese renewable energy components.

### India's renewable expansion underway



Source: BMI Research

### Asia gaining ground



Source: BMI Research