

Client Alert

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Vietnam's updated policy on inclusion of new solar power projects in power development plans

Recent developments

On 10 May 2018, the Office of the Government issued Official Letter No. 174/TB-VPCP ("**Official Letter No. 174**") regarding policies for including solar power projects in power development plans. Under Official Letter No. 174, the Government provided the following policies and instructions to the Ministry of Industry and Trade (MOIT) in terms of the approval process for inclusion of solar projects in relevant power development plans pending completion and issuance of a National Solar-specific Power Development Plan:

- a) Only projects which the MOIT has completed its appraisal for and submitted a consolidated proposal to the Prime Minister for approval can continue to be considered for inclusion in the existing amended National Power Development Plan VII. As this point deals with the national-level plan, it only applies to solar power projects that have an installed capacity of larger than 50MWp.
- b) For projects that are still undergoing the MOIT appraisal process, regardless of their installed capacity (of up to or larger than 50MWp) and the approval authority level (i.e., the MOIT for provincial-level plans or the Prime Minister for the national-level plan), the MOIT must carry out a comprehensive review to include them to a to-be-issued National Solar-specific Power Development Plan, which the MOIT is still working on.

As such, for most of the projects that have not been included in relevant power development plans, developers will likely not be able to obtain approval from the MOIT or the Prime Minister on a project-by-project basis for the time being until the National Solar Power Development Plan becomes available.

In other words, newly proposed projects at this point of time will likely be delayed until the formulation and issuance of the proposed National Solar Power Development Plan as a comprehensive plan for new solar power projects. The MOIT has been required to report to the Prime Minister on the formation of this comprehensive plan by 15 July 2018 and, currently, it remains unclear as to when said plan will be issued by the Prime Minister. For projects that have been included in relevant power development plans, the relevant developers can proceed with the next steps of project development according to their schedules.

Although Official Letter No. 174 is not a legal normative document, in practice it can potentially make it difficult or more time-consuming for relevant developers to obtain approval from the MOIT or the Prime Minister for newly proposed projects for the time being.

Under Official Letter No. 174, according to the MOIT's report, more than 70 solar power projects that have an installed capacity of up to 50MWp and are planned to become operational prior to June 2019 have been approved for inclusion to the power development plans. The total capacity of those project





is more than 3,000 MW. According to the Government, the level of said solar power projects' total capacity significantly exceeds the level proposed for operation by 2020 under the existing plan (specifically, the amended National Power Development Plan VII).

According to an unofficial source, by the end of last year, there were approximately 115 grid-connected solar power projects with a total capacity of around 17,000 MW proposed in 27 provinces. The provinces that attracted the most proposals and registrations were Dak Lak, Tay Ninh, Ninh Thuan, Binh Thuan and Khanh Hoa. However, we note that many of them are still in the preliminary stages of project development.

Specific implications for investors and actions to consider

In light of the above, it can be important for a potential developer looking for investment opportunities in Vietnam's solar power market to review the status of target solar projects. Specifically, the developer should ascertain whether their target project has been included in the relevant power development plans as part of the due diligence process, especially if said developer wishes to be eligible for the current Feed-in-Tariff of UScents 9.35 per kWh for a term of 20 years from the commercial operation date of their target plant.

Under Circular No. 16, this FiT rate applies only to the parts of solar power plants that reach a commercial operation date ("**COD**") before 30 June 2019, and its application will be for a period of 20 years from such COD.

Circular No. 16 defines COD as the date on which a part or the whole of a grid-connected solar power plant is ready to sell electricity to the Power Purchaser and meets the following conditions:

- The power plant has completed initial commissioning for a part or the whole of the grid-connected solar power plant and connection facilities;
- The grid-connected power plant has been granted a power operation license in the power generation sector; and
- The Power Seller and the Power Purchaser have successfully set up the meter indices to commence payment.

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If you would like to discuss opportunities for investment in renewable energy projects in Vietnam and how our Firm can assist you, please do not hesitate to contact us.

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