

Client Alert

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Vietnam increases Feed-in-Tariffs for biomass power projects

On 5 March 2020, the Prime Minister of Vietnam officially issued Decision No. 08 amending Decision No. 24/2014/QD-TTg dated 24 April 2014 ("Decision No. 24") on support mechanisms for the development of biomass power projects in Vietnam. Effective from 25 April 2020, Decision No. 08, among other revisions, increase Feed-in-Tariffs ("FiT") for biomass power projects.¹

Specific provisions on the FiT for grid-connected biomass power projects

Under Decision No. 08, tariffs at the delivery point are increased as follows:

- For combined heat and power ("CHP") biomass power projects: 7.03 US cent per kWh (exclusive of VAT) (increased from 5.8 US cent per kWh under the previous Decision No. 24 and from 6.77 US cent per kWh under the previous draft during November 2019); and
- For other biomass energy projects: 8.47 US cent per kWh (exclusive of VAT) (instead of the avoided cost tariff under the current Decision No. 24).

The proposed FiT shall be adjusted in accordance with the fluctuation of the VND-USD exchange rate on the date of issuance of the relevant invoice. The proposed FiT is to be applied throughout the PPA term of 20 years from the commercial operation date.

Explanations of the MOIT

According to the MOIT's previous proposal, there are approximately 10 CHP biomass power projects operating in Vietnam. Most of these are active in utilizing bagasse from sugar mills for self-consumption and were established before the issuance of Decision No. 24 on 24 March 2014. However, throughout Decision No. 24's approximately 6-year implementation, no other grid-connected biomass power projects have been constructed or operated.

Further, the amended Power Development Plan VII previously set a target of power production from biomass energy to constitute 1% (in 2020), 1.2% (in 2025) and 2.1% (in 2030) of the country's total energy mix.

In order to achieve this target, Decision No. 08 was proposed by the MOIT and issued by the Prime Minister to increase the FiT for biomass power projects and encourage investment.

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¹ Decision No. 08/2020/QD-TTg of the Prime Minister dated 5 March 2020 amending and supplementing a number of articles of Decision No. 24/2014/QD-TTg on support mechanisms for the development of biomass power projects in Vietnam ("Decision No. 08").

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Vietnam has great potential for developing biomass resources such as rice husk, rice straw, energy wood, coffee husk, and bagasse. However, a key issue for developing biomass projects is how to structure supply arrangements and make bankable biomass supply agreements with biomass feedstock suppliers, in order to secure the quality, quantity and price/costs of biomass supply over the duration of the project.

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