

# Draft PDP8 revision: the legacy continues

**05 October 2022** – National Power Development Plan (“**PDP**”) is the masterplan of power projects in Vietnam, any “green-light” for a power project shall first refer PDP on the issue of whether the project align with the PDP, otherwise, obtaining approval for the project would be highly challenging.

As the existing PDP No. 7 for the period of 2011-2020 (“**PDP7**”) is outdated, the competent authority in charge of the preparation of the PDP- the Ministry of Industry and Trade (“**MOIT**”) has prepared the draft PDP No. 8 (“**PDP8**”) for the period of 2021- 2030 with a vision of plan up until 2050. The draft PDP8 is first submitted to the Prime Minister for his review on 26 March 2021, since then, it has gone through several rounds of public and private consultations. The PDP8 is still pending for approval from the Prime Minister as of to date.

A brief development on the draft PDP8 in the recent timeline is as follow:

- On 18 August 2022, a conference between the standing members of the Government and other relevant authorities, and organizations held at the Government headquarters to discuss the PDP8 as in the Report 4967/TTr-BCT dated 18 August 2022 (“**Report 4967**”). As the result, on 06 September 2022, the Government Office issued Notice No. 227/TB-

VPCP (“**Notice 227**”) to announce the conclusion of the afore-mentioned conference in which no clear deadline for the finalization or issuance of the PDP8 set in the meeting.

- On 23 September 2022, MOIT issued a Report No. 5709/TTr-BCT (“**Report 5709**”) on the discussion of the PDP8 approval with the purpose of reporting to Prime Minister the results of reviewing the PDP8’s contents after the direction of the Government Standing in the Notice 277.

## Latest development on the draft PDP8

In the following, we have highlighted a few key pieces of information from the Report 5709.

### Solar power landscape (utility-scale)

As said in Report 5709, MOIT has proposed to include in the PDP8 the solar power projects approved with investors selected in the past. Such inclusion allows the mentioned solar power projects continues or begins the implementation and development up until 2030. The Report 5709 has set out that the total capacity of the solar power projects under the PDP8 will be 2,360.42 MW as opposed to 2,428.42 MW set out in the Report 4967. MOIT reports that such reduction of the total capacity for solar power projects is due to 3 investors decided not to continue with project implementation.

MOIT has acknowledged that such inclusion does not conform the Government's concern which expressed during a meeting dated 20 August 2022 that the PDP8 should only include the approved projects that are (i) completed the construction and pending for the tariff determination; (ii) in the construction phase; or (iii) with the signed equipment procurement contracts. As an explanation, the Report 5709 notes that the proposal of including the already approved solar projects in PDP8 is to minimize the exposure of disputes between the authorities and investors.

#### Rooftop solar landscape

Rooftop solar project as proposed by MOIT, will have no cap to the scale or capacity of the development on the condition that the projects are self-consumption without connecting to the grid.

#### Wind power landscape

The proposal for more wind farm development remained. MOIT expected a total of 16,121 MW onshore and 7,000 MW offshore wind power by 2030, as said in Report 4967. Under Report 5709, MOIT has proposed to add 700 MW more onshore wind power, on top of the existing proposed 2,816 MW in Report 4967 to the grid in the northern region, totaling 3,516 MW by 2030 in the said region.

#### Biomass power landscape

As to biomass power, under Report 5709, MOIT has proposed to add 550 MW on top of the 1,230 MW total capacity as previously proposed in Report 4967.

#### LNG power landscape

As none of the planned LNG power projects under PDP7 has started the project implementation stage, under the Report 5709, MOIT has proposed the existing 11 planned projects from PDP7, with a total capacity of 17,900 MW, will be part of the PDP8 and should be in operation by 2030. On top of the foregoing projects, MOIT has proposed to add 4 LNG power projects with a total capacity of 6,000 MW by 2030. 2 out of 4 of the additional projects are transferred from the previously planned coal-fired power projects under PDP7.

#### Coal power landscape

MOIT has proposed 11 coal-fired power projects, which were planned in PDP7 to remain in PDP8, with a total capacity of 13,192 MW. All the projects have already selected their investors.

#### **What is the obstacle to the approval of PDP8?**

PDP8 was supposed to be issued in 2020, however, MOIT has faced multilateral obstacles in obtaining approval for such. Externally, the commitment on climate change in a global scale which make Vietnam as a whole pondering on any non-renewable power projects; internally, out of many other reasons, there is a discussion on the update of feed-in-tariff mechanism of wind and solar power projects that were expired which the Prime Minister is pressuring MOIT for the update of such before approving the PDP8 on the ground of prioritizing the nation's social and public welfare.

#### **What should investors look at or be aware of according to draft PDP8 and beyond?**

MOIT seems to place a stop sign to the "solar gold rush" in Vietnam, at least until 2030. One of the reasons is due to the instability of the power source, which affects the stability of the grid. Being said, no room for new solar projects under the draft PDP8. Based on the foregoing, investment in a utility-scale solar project in the coming years may shift the focus to brownfield projects.

Based on Report 5709, wind power development will be heavily focused on up until 2030. Foreign investment in onshore wind farms will be most probably welcomed, in compliance with the applicable law related to investor-selecting.

LNG and coal-fired power landscape in the coming years and up to 2030 will be majorly based on those planned projects from the PDP7. As of to date, proposal by MOIT showed that there will be no room for new investors in coal-fired power projects. International pressure has played a role in Vietnam's power planning, where Vietnam has committed to net-zero by 2050, and coal-fired power has always been controversial in power hungry developing countries. International financing in coal power has also been increasingly difficult on a regional scale in recent years. Selected investors for these planned coal-fired power projects may face challenges in project financing.

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