



L'AFD AND

# the energy transition in Vietnam

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**Seven**

loans granted in total to the Electricity Group of Vietnam (EVN)

The emission of **1.18** M tonnes of CO<sub>2</sub> per year will be spared as a result of AFD's 'climate' projects.

€**1.5** million of the Facilité 2050 will benefit Vietnam

In line with Vietnam's revised Power Development Plan, electricity production in 2030 will be four times the level of 2014. This revised plan emphasises the development of renewable energies (ENR), which were scarcely mentioned in the initial power development plan. However, renewable energies lag behind the substantial development of coal, which will represent more than 40% of the country's generating capacity in 2030.

In line with the AFD Group's '100% Paris Agreement' strategy, support to energy transition is a priority for AFD in Vietnam.

1

## *Developing renewable energies*

AFD funds projects for hydroelectric and solar power plants, which will directly contribute to the improvement of a sustainable, reliable and low-carbon electricity supply in Vietnam. It will also contribute to meeting the government's goals for increasing the proportion of renewable energies in the electricity supply.

For instance, in 2008, AFD funded the Huoi Quang hydroelectric power plant with a US\$100 million loan to the Vietnamese electricity company, EVN (concessional non-sovereign loan, without state guarantees). This 99 meter-high structure is part of an integrated system of five hydropower plants positioned successively in a row. The total generating capacity of this power plant is 520 MW, which spares the equivalent of 1,120,000 tonnes of CO<sub>2</sub> emissions a year.

Further, AFD continues to promote renewable energies by financing the extension of the hydroelectric power plant laly (360 MW increase in the installed capacity) and the Se San 4 solar power plant project, which is among the first of significant size with a capacity of 49 MWp.

2

## *Improving electricity transmission networks, distribution and energy efficiency*

Demand for electricity in Vietnam has been steadily increasing since the early 2000s. To meet this challenge, the revised Power Development Plan No. 7 aims to increase the capacity up to 60,000 MW by 2020. AFD supports this government programme, as well as the development of electricity transmission networks.

In this regard, in 2005, AFD co-financed with ADB a project to strengthen the electricity transmission networks, providing power to major urban and industrial centres in the northern regions including Hanoi, Hai Phong and Quang Ninh.

In addition, since 2012, AFD has been co-financing with ADB the project to build the 500 kV Pleiku-My Phuoc-Cau Bong overhead power line, Vietnam's true 'electricity backbone'. This line will become fully operational in 2020, increasing the available electricity capacity by facilitating the interconnection between the national (Central and South) and cross-border (Laos and Cambodia) electricity networks and reducing losses in the electricity transmission network.

AFD has supported a technical partnership between the French company EDF and the two Vietnamese distributors (NPC and Hanoi PC) to transfer French know-how for optimising investments in electricity networks.

3

## *Removing obstacles to the development of renewable energy*

In addition to this collaboration with EVN and its subsidiaries, AFD has provided support to the regulatory authority, ERAV, in the form of technical assistance for concept studies on the wholesale electricity market. This is an important step in implementing the sector's liberalisation roadmap.

AFD also participates in debates on public policies for improving energy efficiency, as part of the SPRCC (Support Programme to Respond to Climate Change) budget support programme, to which AFD has allocated €200 million, in a co-financing arrangement with JICA and the World Bank. This innovative approach combines budget support with dialogue on Vietnam's climate change public policies, and benefits from technical assistance to support the implementation of the Paris Agreement.

In this public policy dialogue, AFD contributes mainly in the energy sector to remove obstacles to the development of renewable energies and energy efficiency, e.g. feed-in tariff for wind and solar energy, power purchase agreement, etc.

Moreover, AFD is an active participant in the working groups on energy sector (Vietnam Energy Partnership Group) led by the Ministry of Industry and Trade and the European Union. AFD also works on developing green credit lines in Vietnam.

Finally, AFD supports awareness and information workshops to promote energy transition towards a low-carbon long-term pathway.