



Special Alert

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Vietnam's Government continues to support solar power

The long-awaited legal framework on the mechanisms for encouraging solar power development in Vietnam was finally announced by the Prime Minister through Decision No. 13/2020/QĐ-TTg dated 6 April 2020 (“**Decision 13**”), which succeeded the defunct Decision No. 11/2017/QĐ-TTg (“**Decision 11**”).

Under Decision 13, the feed-in tariff (FiT) rate to be applied to an entire project or part of a solar power project will be as follows:

No.	Solar Power Technology	Power Price (FiT rate)	
		VND/kWh	Equivalent to US cent/kWh
1	Floating solar power project	1,783	7.69
2	Ground-mounted solar power project	1,644	7.09
3	Rooftop solar power system	1, 943	8.38

Notes:

- *The FiT rate does not include value added tax and will be adjusted in accordance with fluctuations in the VND/USD exchange rate.*
- *The aforesaid applicable exchange rate is published by the State Bank of Vietnam on 10 March 2020.*
- *Specific grid-connected solar power projects in Ninh Thuan province will enjoy another power price (please find below for further information).*

Main players in the solar power deal

Vietnam Electricity (“**EVN**”) and its authorized companies no longer hold the exclusive right to purchase electricity from solar power projects in Vietnam. Decision 13 also allows other entities, i.e.,

private organizations and individuals to purchase power. The power seller includes organizations and individuals participating in the field of power generation from solar power plants or systems.

Grid-connected solar power project

Decision 13 provides specific definitions on ‘grid-connected solar power projects’ which include ‘floating solar power projects’¹ and ‘ground-mounted solar power projects’².

A standard power sale and purchase agreement (the “PPA”) is compulsory for cooperation between the seller and the purchaser (being EVN or an authorized member company). A draft template PPA is now in development by the Ministry of Industry and Trade following the issuance of Decision 13. The term of PPAs for grid-connected solar power projects is fixed at 20 years from the commercial operation date (COD).

The FiT rate mentioned in the table above is applicable to grid-connected solar power projects for which the competent agency made the investment policy decision prior to 23 November 2019 and for which COD of the project is within the period from 1 July 2019 to 31 December 2020. Solar cell efficiency is also required to be greater than 16% or with modules greater than 15% for projects to enjoy the FiT.

The central province of Ninh Thuan will continue to receive an exclusive incentive in terms of solar power price subject to Resolution No. 115/NQ-CP³ of the Government dated 31 August 2018. Accordingly, the FiT rate for grid-connected solar power projects which are already included in the master plans and which have a COD prior to 1 January 2021 with total accumulated capacity not exceeding 2,000 MW is 2,086 VND/kWh (equivalent to 9.35 US cents/kWh) for the next 20 years as from COD. This FiT rate was also the rate applied to grid-connected solar power projects in Decision 11.

Other grid-connected solar power projects which do not satisfy the conditions mentioned above shall receive a tariff determined via competitive mechanism.

Rooftop solar power system

The definition of a “rooftop solar power system” is clarified in details as a system with solar energy panels installed on the roof of a building *“with an output not exceeding 1 MW and directly or indirectly connected to the grid of a power seller with a voltage level of 35kV or less.”*

If the purchaser is EVN, or an authorized member company, the parties must enter into an agreement in compliance with the standard PPA in which the term shall be a maximum 20 years from power

¹ Floating solar power project means a grid-connected project with solar energy panels installed on a floating structure on a water surface.

² Ground mounted solar power project means a grid-connected project, other than floating solar power project.

³ Resolution No. 115/NQ-CP on implementation of a number of special regimes and policies to assist socio-economic development, stable production and the livelihood of the citizens in Ninh Thuan province in the period 2018-2023.

generation operation day. Unlike the earlier draft which suggested an unchanged FiT rate for rooftop solar power projects at 9.35 US cent/kWh, the FiT rate under Decision 13 is reduced to 8.38 US cent/kWh. This purchase price applies to rooftop solar power systems with a power generation operation day and with confirmation of meter readings falling within 1 July 2019 to 31 December 2020 for a maximum period of 20 years as from power generation operation day. Similar to the grid-connected type, rooftop solar power systems must have a solar cell efficiency greater than 16%, or the module efficiency must be greater than 15%.

Decision 13 also paves a flexible approach for power deals in which the power purchaser is not EVN; in such a case the power purchase price and the PPA shall be as agreed between the parties in conformity with current provisions of law.

Decision 13 took effect on 22 May 2020. The FiT rate is lower than the previous rate regulated in Decision 11 yet remains financially attractive. However, investors should be well aware of the 31 December 2020 deadline to enjoy the new FiT rate. After that date passes, new policies will be enforced.

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