



LOOPHOLES IN SOLAR POWER DEVELOPMENT POLICY

On July 17, 2020, the Ministry of Industry and Trade has issued Circular No. 18/2020/TT-BCT on project development and sample of electricity sale contract applicable to solar power (“**Circular 18**”), guiding the implementation of the Prime Minister’s Decision No. 13/2020 /QD-TTg dated April 6, 2020 (“**Decision 13**”).

NEW SAMPLE OF ELECTRICITY SALE CONTRACT HAS BEEN RELEASED

Deploying the policies to encourage solar power in Decision 13, the Ministry of Industry and Trade has issued sample of electricity sale contract applicable to grid-connected solar power projects and rooftop solar power systems together with Circular 18.

Previously, according to Decision 11, solar power of residents and enterprises, who though generate electricity to the grid, was not paid. Currently, as the sample of contracts in Circular 18 has been released, residents and enterprises have a public and transparent legal corridor to invest in solar power projects, harmonizing economic benefits and environmental protection.

SOLAR ELECTRICITY SALE PRICE DECREASES

Prior to the enforcement of Decision 13, the Prime Minister’s Decision No. 11/2017/QD-TTg on mechanism for encouragement policy on solar power development of in Vietnam (“**Decision 11**”) has set the sale price of solar electricity to VND 2,086 /kWh.

Now Circular 18 has detailed the sale price of solar electricity which shall be applicable in 20 years to projects with commercial operation dated before January 1, 2021.

Specifically:

For grid-connected solar power: The electricity sale price applicable to terrestrial solar energy projects are VND 1,644/kWh and floating solar energy projects are VND 1,783/kWh.

For rooftop solar power: If the buyer is the Vietnam Electricity Corporation (“**EVN**”), the electricity sale price of rooftop solar power systems is VND 1,943/kWh. If the electricity purchaser is not Vietnam Electricity Corporation, the seller and the buyer shall negotiate the electricity sale price themselves.

It appears that, on the momentum of developing renewable energy sources, the decrease in solar power sale price is consistent with the downtrend in prices of relating equipment and technologies, also enforces to minimize pressure on electricity retail prices.

Additionally, the sale price of rooftop solar electricity is more than VND 1,900/kWh. However, when it comes to grid-connected solar electricity, the sale price is just over VND 1,600/kWh. This indicates that the Government is reinforcing the rooftop solar power development.

WILL THE SALE PRICE OF ROOFTOP SOLAR ELECTRICITY ALSO BE APPLICABLE TO FARMS’ ROOFTOP SOLAR ELECTRICITY?

EVN has issued the Official Letter No. 4971/EVN-KD dated July 23, 2020 and the Official Letter No. 5398/EVN-KD dated August 10, 2020 suggest the Ministry of Industry and Trade guiding and resolving legal issues on rooftop solar power systems.

In which, EVN mentioned to many solar power projects with

the capacity of less than 01 MW installed on support frames in the farmer's garden, agricultural lands as farm economy models, though, are aimed at solar power production to be eligible to the preferential electricity price applicable for rooftop solar power.

In fact, Decision 13 or Circular 17 have not yet set out any clear guidance and definition on solar power projects implemented under the such agricultural farm model.

However, according to the conclusion in the Report of the Electricity and Renewable Energy Authority dated August

24, 2020, only solar power systems installed on the roof of the building and have the capacity of no more than 1 MW, directly or indirectly connected to the power grid with the voltage of 35 kV or less, shall be considered as rooftop solar power system. Hence, solar power systems installed on support frames located on lakes, ponds for shrimp farming or for hi-tech agricultural planting... but not installed on the roof of a construction, shall not be considered as a rooftop solar power system.

Circular 18 comes into force on August 31, 2020.

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