

Draft Decree on Rooftop Solar Power Development in Vietnam

December 2023

In a significant move towards promoting renewable energy, Vietnam has recognised the importance of rooftop solar power (**RTS**) and its potential to contribute to the country's growing energy needs. The Vietnamese government, under Decision No. 13/2020/QĐ-TTg of the Prime Minister (**Decision No. 13**), officially acknowledged RTS systems, which involve solar panels installed on the roofs of buildings. This decision allowed developers to sell electricity generated from RTS systems to the national utility company, EVN, and/or non-EVN customers without the need for an electricity operating license.

However, a recent development has come to light with a draft decree prepared by the Ministry of Industry and Trade (**MOIT**) for issuance by the Government. This decree aims to establish a regulatory framework for the development of self-consumption RTS systems in Vietnam. In this legal update, we will explore the key provisions of the draft decree and its potential implications for RTS development in the country.

Background

Decision No. 13 provided the initial guidelines for RTS development in Vietnam, allowing for the installation of solar panels with a capacity of up to one megawatt (1 MW) on the roofs of buildings. It also introduced a feed-in tariff (**FiT**) rate of 8.38 US cents per kilowatt-hour for electricity generated by RTS systems and sold to EVN that achieved commercial operation between 1 July 2019 and 31 December 2020.

However, FiT incentives are no longer available for new RTS systems having achieved commercial operation as from 1 January 2021. This has raised concerns about the absence of a regulatory framework for RTS systems. To address this gap, the MOIT has undertaken the task of formulating a decree that specifically covers the development of self-consumption RTS systems.

The Draft Decree

The MOIT has presented two policy options in the draft decree: grid-connected RTS and off-the-grid RTS. Both policies emphasise the importance of self-consumption and discourage the sale of electricity to any offtaker. We delve into the details of each policy.

1. Grid-connected RTS

Under the grid-connected RTS policy, the total capacity of RTS systems should not exceed 2,600 MW, as approved in the National Power Development Plan for the period of 2021 until 2030 with a vision until 2050 (**PDP VIII**). Any new RTS development would be subject to this total capacity limit.

Developers operating under the grid-connected RTS policy are not allowed to sell electricity generated from their systems to any offtaker. However, they have the right to export excess energy to the grid on a free-of-charge basis. Alternatively, they must install equipment to minimise the export of excess electricity to the grid.

2. Off-the-Grid RTS

The off-the-grid RTS policy has no limitation on the total capacity of RTS systems, and new developments will not be subject to any power development plan. Similar to the grid-connected RTS policy, developers under this policy are prohibited from selling electricity generated from their systems to any offtaker.

However, developers operating under the off-the-grid RTS policy must ensure that both the RTS power source and load will not be exported to the grid under any circumstances. This policy focuses on complete self-consumption without any reliance on the grid for excess electricity.

3. Licensing Procedures

The draft decree also addresses the licensing procedures for self-consumption RTS development. Unlike other power projects, specific RTS projects do not need to be included in the power development

plan. This flexibility allows developers to pursue RTS projects without the requirement of obtaining investment policy approval or an investment registration certificate.

The land and construction works on which RTS systems are installed are not necessarily required to have a designated land use purpose for energy construction. This provision enables the utilisation of existing infrastructure for RTS development, further promoting the adoption of solar energy.

Any developer interested in RTS development must prepare and submit an application dossier to the local electricity agency, which is typically the power corporation of the region. Upon receiving a valid application dossier, the electricity agency has a maximum of seven (7) days to respond to the developer after consulting with the provincial People's Committee.

It is important to note that the draft decree does not explicitly address whether the construction of RTS systems requires a separate construction permit. However, it does mention that RTS development may be exempt from certain environmental protection or fire prevention and fighting requirements. This exemption is contingent upon the written response of the electricity agency.

Conclusion

The draft decree on rooftop solar power development in Vietnam represents a significant step towards establishing a regulatory framework for self-consumption RTS systems. The grid-connected and off-the-grid policies introduced in the draft decree prioritise self-consumption and discourage the sale of electricity to any offtaker. These policies aim to promote the use of solar energy and reduce dependence on the grid.

As the MOIT finalises the draft decree and prepares to issue it in August 2024, stakeholders in the renewable energy sector eagerly anticipate its implementation. The

decree is expected to take effect from October 2024, providing a clear roadmap for developers interested in self-consumption RTS projects. With Vietnam's commitment to sustainable energy sources, the future looks bright for rooftop solar power in the country.

You may contact us for more information on the draft decree and its potential implications. We look forward to addressing any questions or concerns you may have about rooftop solar power development in Vietnam.

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