CAPITAL MOBILISATION QUERY LEADS POWER PLAN ANALYSIS

The third draft of the National Power Development Plan 8 (PDP8) is 843 pages thick but only nine of these cover financial issues, with an average mobilisation of $13 billion per year until 2045. The capital is allocated to power generation, transmission lines for gas, and wind power sources, among others.

The draft, however, does not mention where to mobilise capital from, at home or from abroad, while possible solutions to this questions are all burdened with administrative procedures. "The new PDP8 will be better than its predecessor," commented Ngo Duc Lam, former deputy director of the Ministry of Industry and Trade's Institute of Energy.

For the first time, the PDP8 closely adheres to the national development and energy development strategies – the previous plan could stick to Resolution No.55-NQ/TW of the Politburo on the orientation of the National Energy Development Strategy of Vietnam to 2030, with a vision to 2045.

The previous master plan, implemented from 2015 to 2018, failed and could not mobilise enough capital according to Lam. He said that, in mobilising capital for the PDP8, it is necessary to review its predecessor.

"Firstly, the assessment of the socioeconomic situation was not carried out properly, with GDP being forecast too high, so the first three years have to be adjusted which can be quite expensive. Next, the electricity development trend is not in line with the rest of the world. Climate change is making the world switch to renewable energy, but Vietnam is moving in the opposite direction, developing coal-fired power at a higher level," Lam criticised. Lam found that borrowing from credit institutions to implement energy projects is also very difficult because many of them introduce technical barriers to environmental protection when lending to power projects. "Thus, the financing for energy investments continues to be a challenge for regulators if there is no change," Lam said.

Sufficient structures

Pham Xuan Hoe, former deputy director of the Banking Strategy Institute under the State Bank of Vietnam (SBV) said, "It will be very difficult for Vietnam to mobilise capital as outlined in the PDP8." Firstly, divesting capital for coal power of all 146 international financial institutions is very difficult, although Japan's Mitsubishi Corporation has decided to withdraw from the Vinh Tan 3 thermal power plant project in the south-central province of Binh Thuan, where it holds 49 per cent of the shares.

Secondly, if capital is borrowed from China, it is accompanied by loan conditions as well as bonds for government guarantees at high prices. The most obvious experience is that Laos had to cede a partial concession of the national power transmission system to China.

"Here, we do not take into account the structure of capital sources, and how much will be mobilised domestically and abroad. If Vietnam develops six more coal-fired power plants as outlined in new draft, the country will surely have to borrow more from China," Hoe said.

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