



# Solar & Wind: Challenges and Opportunities

## DPPA: How Private Sector Engagement can Advance Power Market Reform

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*United States Agency for International Development (USAID) Vietnam Low Emission Energy Program II (V-LEEP II)*

## For international businesses, wind and solar markets have historically been challenging in Vietnam

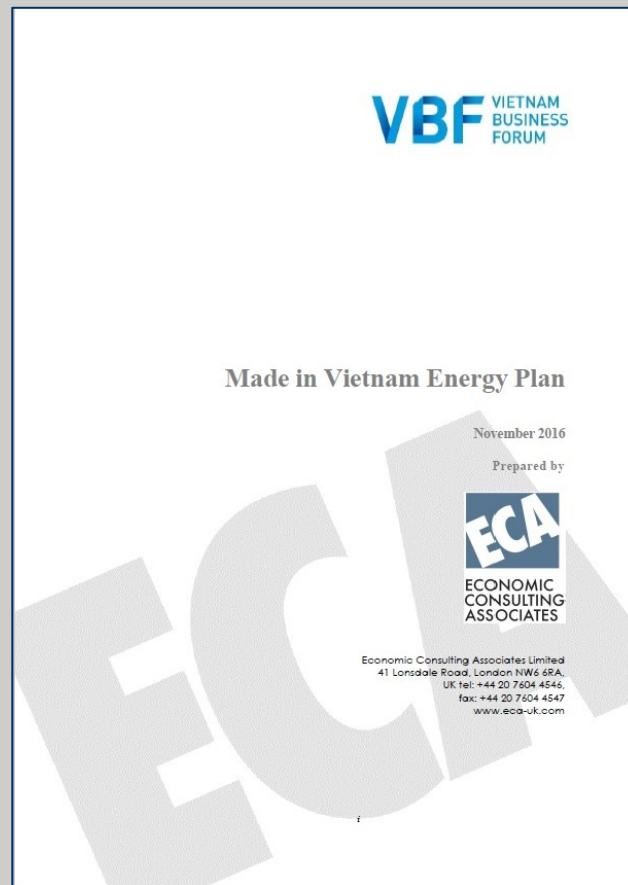
- International lenders typically provide USD denominated debt, provide competitive tenor and rates, and often offer non-recourse project financing
- However, many international parties considered the Vietnam Feed-in-Tariff (FiT) power purchase agreement (PPA) un-bankable due to its lack of leading practices for terms and conditions that put debt-service coverage ratios at risk
- This ceded the market to local developers, who found financing from local banks (often at unfavorable terms), used vendor financing that required short term re-financing, and relied on balance sheet financing that is difficult to separate from corporate assets. Working within these constraints, the local developers far surpassed GVN goals for solar deployment

# The perspective of international developers helped sparked interest in the Direct Power Purchase Agreement (DPPA)



## PRIVATE SECTOR

- Interest in DPPA originated from the **project development community (solar and wind developers)**, which saw DPPA as an accelerated mechanism to bring projects to the market and secure lower cost financing
- DPPA was the **#1 primary recommendation of the Made in Vietnam report** issued by the Vietnam Business Forum, which is a broad private sector consortium of the leading chambers of commerce in Vietnam



## GOVERNMENT

- The strength of the Made in Vietnam recommendation **helped secure DPPA's place on the agenda of the political leadership** and its consideration by the power market regulator: Electricity Regulatory Authority of Vietnam (ERAV)



**While the voice of the  
international developers  
brought attention to DPPA**

# The voice of the energy buyers proved even more compelling

In 2017, a group of leading companies and organizations in Vietnam endorsed the DPPA mechanism.

26 companies have now signed the DPPA Declaration and **into a DPPA agreement for Vietnam**. Together, these 26 companies:

- Directly and indirectly support the employment of more than 710,000 Vietnamese people
- Invest US\$1.57 billion in Vietnam
- Consume >16M MWh of electricity annually – roughly equivalent to 28.4 million Vietnamese households

Many global companies in Vietnam see DPPA as an the way to meet their sustainability commitments for voluntary programs such as RE100, the Science Based Targets Initiative and the UN Fashion Industry Charter for Climate Action



# V-LEEP worked with ERAV to support DPPA development

*USAID V-LEEP began working with ERAV to help it understand how DPPA could operate within the Vietnamese legal/regulatory system, how DPPA works in other jurisdictions, and how it could be adapted to work in Vietnam*

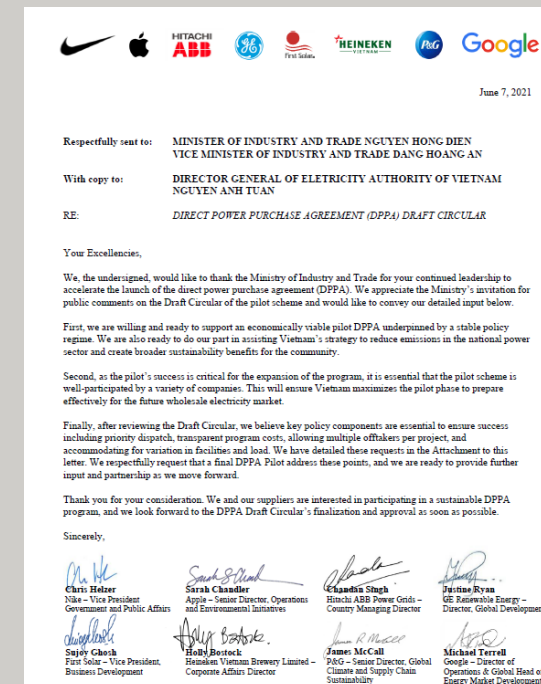
## V-LEEP Conversations with Corporate Buyers and Sellers

- Detailed discussions with the potential corporate buyers and the developers became critical to ensuring that a synthetic DPPA design would be acceptable to both buyers and sellers in Vietnam, given the evolving nature of the Vietnam power market
- V-LEEP led intensive discussions with participation from both buyers and sellers



*V-LEEP organized Renewable Energy Buyers Working Group*

## V-LEEP Sought Input from Buyers for FDI



*Joint Letter from buyers on DPPA*

As the government moved to authorize a DPPA Pilot, V-LEEP helped channel the voice of the private sector. The buyer side represents large and influential foreign direct investment (FDI).

# Accelerating opportunities for RE through a DPPA Pilot Program

## OBJECTIVE OF PROPOSED DPPA PILOT PROGRAM



*Enable large electricity consumers to contract with renewable power project developers, providing them with a pathway for meeting their renewable energy goals*



DPPA Pilot Program will complement other new competitive mechanisms such as auction

## GOALS OF THE PILOT:



Contribute to promoting the development of renewable energy sources and incentivize consumers to use clean energy sources



Launch a DPPA pilot program in 2021; evaluate, draw lessons, and gain experience to improve the mechanism and legal framework for upscaling nationwide



Pilot the operation of the competitive electricity retail market in Vietnam in accordance with the approved roadmap

# Thank you!

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