

Official Approval for New Price Mechanism on Transitional Renewable Energy

On Jan 7th, 2023 The Ministry of Industry and Trade (MoiT) has published Decision 21/QD-BCT for the official approval on the final ceiling electricity price for renewable transiting solar and wind projects which were in late of previous FIT incentive policies – Oct 2021.

	Price: VND / kWh	Price: cent / kWh ¹	Previous FIT price: cent / kWh	Change: %
Terrestrial solar	1,184.9	5.05	7.09	-29%
Floating solar	1,508.3	6.43	8.38	-23%
Onshore wind	1,587.1	6.77	8.50	-20%
Offshore wind	1,815.9	7.74	9.80	-21%

Sources: ACBS, MoiT

Comment:

This is in line with our previous forecast that new price scheme for renewables would not expand beyond 7.9 – 8.0 cent / kWh, which is currently the applicable retail selling price for electricity set by MoiT in 2019. In addition, the substantial loss by EVN reported in 2022, further strengthened our view that the FITs would be substantially lower than the previous rates.

After this decision and compliance with the instructions in Circular No. 15/ 2022/TT-BCT, EVN and power generators could negotiate and finalize the Purchasing Power Agreement (PPA) for the pending projects / turbines to put those in commercial operation.

Generally, the new price scheme is c. 23% lower than previous FIT on average, which could hamper the development interests for renewables in private sector. However, it also emphasizes wind power expansion, especially offshore, for the next renewables generation in the 2021 – 2030 period.

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¹ USD / VND: 23,450 – Jan 10th, 2022 for reference only

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