



ECONOLER

Vietnam ESCO Market Development Experience

VIETNAM EE BACKGROUND AND CONTEXT

■ Potential For ESCO Market

➤ Drivers

- ✓ Energy use projected to grow at about 8% per annum until 2020.
- ✓ Industry sector (especially SMEs) is largest consumer at 36% in 2006 and increase to 44% in 2020
- ✓ Energy supply will be outstripped by demand by 2020

➤ Key Barriers

- ✓ Low energy prices
- ✓ Weak ESCO capacity
- ✓ Poor government support

LEGAL FRAMEWORK

- **National EE Law (2006): National Strategic Program on Energy Saving and Effective Use – Initiation of VNEEP**
- **LAW ON ECONOMICAL AND EFFICIENT USE OF ENERGY (2010)**
- **Decree No. 1427/QD-TTg approving the National Target program**
 - **Set the target of saving 5-8% of national energy consumption during 2012-2015, equivalent to 11-17 million TOE**
- **Decree No. 1993/QD-TTg approving the National Green Growth Strategy**
 - **2011-2020: reduce the intensity of GHG emissions by 8-10% compared to 2010 base; reduce energy consumption per unit of GDP by 1-1,5% per year**

VNEEP GOALS AND STRATEGIES

- VNEEP - first comprehensive energy efficiency strategy
- Goals:
 - Savings of 3-5% during the period 2006 - 2010 and a further 5-8% during the period 2011 - 2015.
 - Reduce peak load by 500 MW in 2010 and 1,200 MW in 2015
- Program Pillars:
 - Market transformation of key sectors through awareness and capacity building
 - **Support development of energy efficiency service providers (ESCOs)**
 - Support EE policy development
 - Engagement of financial sector

VNEEP OUTCOMES

VNEEP – Phase I

- ESCO development strategy

VNEEP – Phase II

- Transformation of ESPs to ESCOs
- ESCO capacity building

ESCO DEVELOPMENT INITIATIVES IN VIETNAM

- WB - DSM&EE / CEEP (2003-2010)
 - ESCO strategy development (2010)
- UNDP - PECSME – Establishing SME ESPs (2006-2011)
- WB CPEE – (2011-2016)
 - ESCO capacity building needs assessment (2012)
 - ESCO development of guidelines for EPC (2012 – present)

KEY OUTCOMES TO DATE

- Many EE laws – No hard regulations and enforcement
- Market motivation for EE low – Cheap energy / low awareness
- Focus is on training and demonstration – no real action to remove barriers
 - High transaction cost / small projects
 - High perceived risk
 - Legal framework, and enforcement does not support EPC approach
- Overall, poor ESCO enabling environment prevails

ESCO DEVELOPMENT BARRIERS

- Need for more government support;
- 15-20 ESCOs in Vietnam
- ESCOs generally have low capacity mix:
 - Technical;
 - Financial;
- Unsophisticated service offering – not core business
- Poor ability to access financing
- Financial institutions view EE as too risky

ESCO'S IN VIETNAM – WHAT'S NEXT?

CPEE Component 2 ESCO Activities:

- Development of training for ESCO / ESP over a 10 months period
- Specific training for:
 - Technical experts (15 days of training)
 - Government officials
 - Financial institution officials
 - Trainers
- Successful technical experts will become Certified Professional in Energy Performance Contracting (CPE)