



Photo credit: V-LEEP II

Vietnam Direct Purchase Power Agreement (DPPA)

USAID Vietnam Low Emission Energy Program II (V-LEEP II)

June 2023



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FROM THE AMERICAN PEOPLE

About V-LEEP II

V-LEEP II Goals and Objectives

- 1 | Increase Deployment of Advanced Energy Systems**
Objective #1
Increasing the deployment of advanced energy systems through improving enabling policies, laws, and regulations and mobilizing private investment.
- 2 | Improve Energy Sector Performance**
Objective #2
Improving energy sector performance by improving planning and operation practices.
- 3 | Increase Competition in Energy Sector**
Objective #3
Increasing energy sector competition by promoting transparent procurement practices and increasing the availability of advanced energy skilled workforce, products, and services.



V-LEEP II's ambitious goals include supporting the financial close of at least 2,000 MW of renewable energy projects., and is uniquely positioned to serve as a bridge between GVN and private sector



Overview of Corporate/Direct Power Purchase Agreements

Why Corporations Purchase Clean Energy

Mandates

Types of Mandates



Renewable Portfolio Standards



Energy Efficiency Standards



Carbon-Reduction Goals



Climate Goals (e.g., NDCs under the Paris Agreement)

Government mandates to purchase RE often lead to utility programs, which allow or require RE purchases by large customers

Corporate Commitments

Net Zero Commitments



Stable Long-Term Financial Contracts

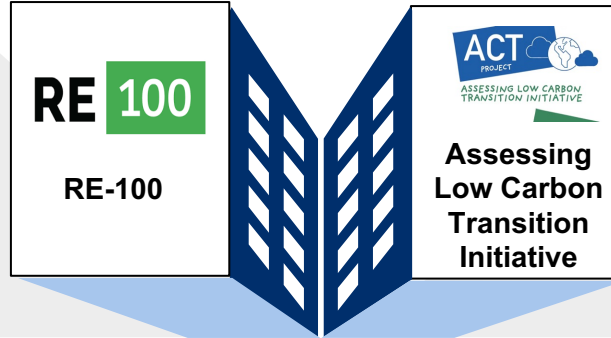
Predictable energy costs over the term of the contract.



Corporate RE Commitments: Four Initiatives Attracting New Members

400+ Members

- Cumulative annual revenues over **US\$2.75 trillion**
- Over **30 Global Fortune 500 Companies**



24 Companies participated in the first stage for the ACT initiative (February 2016 – March 2017)

- Auto manufacturing
- Electric Utilities
- Retail



9 UN Agencies

- Connect4Climate – WBG
- ILO
- ITC Ethical Fashion Initiative
- UNDP
- UN Economic Commission For Europe
- UNEP
- UN Global Compact
- United Nations Office For Partnerships
- UNFCCC



2,679 Companies are acting across a variety of sectors, including:

- Oil & Gas
- Construction
- Mining
- Food
- Textiles
- Transportation
- Real Estate
- Software



How Corporations Purchase Clean Energy



Energy Efficiency
Measures



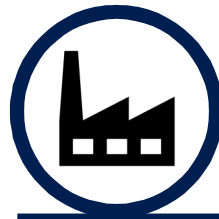
Renewable Energy
Certificates



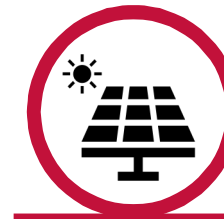
Green Tariffs



Corporate/Direct Power
Purchase Agreements



Carbon Offsets



On-Site Generation

What is a Corporate or Direct PPA?

Corporate or Direct Power Purchase Agreements (CPPAs or DPPAs) are long-term contracts under which a consumer agrees to purchase electricity directly from an energy Generating Co. (GENCO) instead of through the enterprise's local power utility.

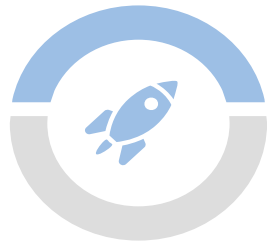
Benefits of Corporate/Direct PPAs

Low Up-Front Capital Costs



Procure grid-connected RE without having to develop consumer RE project

GENCOs get long-term revenue stream + transfers credit responsibilities to consumer



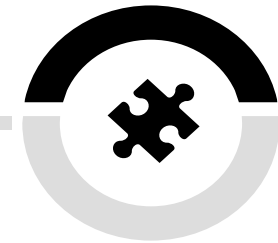
Long-Term Revenue/ Price Certainty

Increased Grid Usage and Reduced Fiscal Impact



CPPAs generally increase revenue to the SMO, enabling new sources of RE.

GENCOs can dictate where generation is sited and balance capacity to the grid



Decouple Generation and Consumption Locations

Development of Direct Power Purchase Agreement (DPPA) mechanism in Vietnam

Why DPPA in Vietnam?



Private Sector

- Interest in a DPPA **originated from power consumers.**
More than 40 global companies have RE100 commitments and operations in Vietnam
- **Project development community** (i.e., solar and wind developers) also saw it as a way to bring projects to the market and secure lower cost financing.
- The DPPA was the **#1 recommendation** of the 2016 “Made in Vietnam Energy Plan” by Vietnam Business Forum

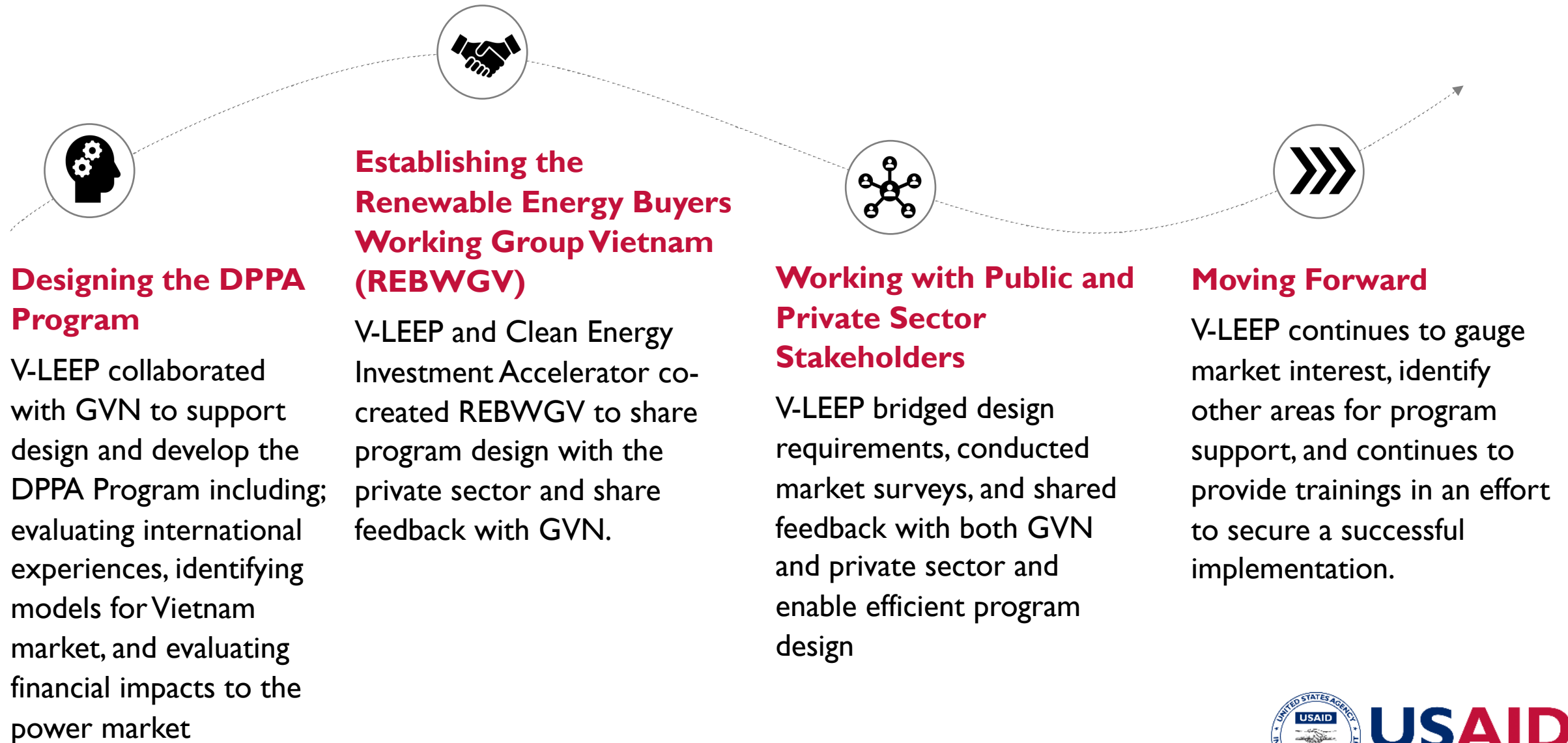


Government

- Willingness of GVN to increase FDI to promote Vietnam’s economic development **helped secure the DPPA’s place on the agenda of the political leadership** and the Electricity Regulatory Authority of Vietnam (ERAV).
- Since 2017, USAID V-LEEP led **public-private collaboration and worked with ERAV** on the policy design and financial modeling

DPPAs will fit the requirements and goals of both the public and private sectors in Vietnam.

USAID V-LEEP: Bringing Together the Public and Private Sectors



Listening to the Voice of Energy Buyers

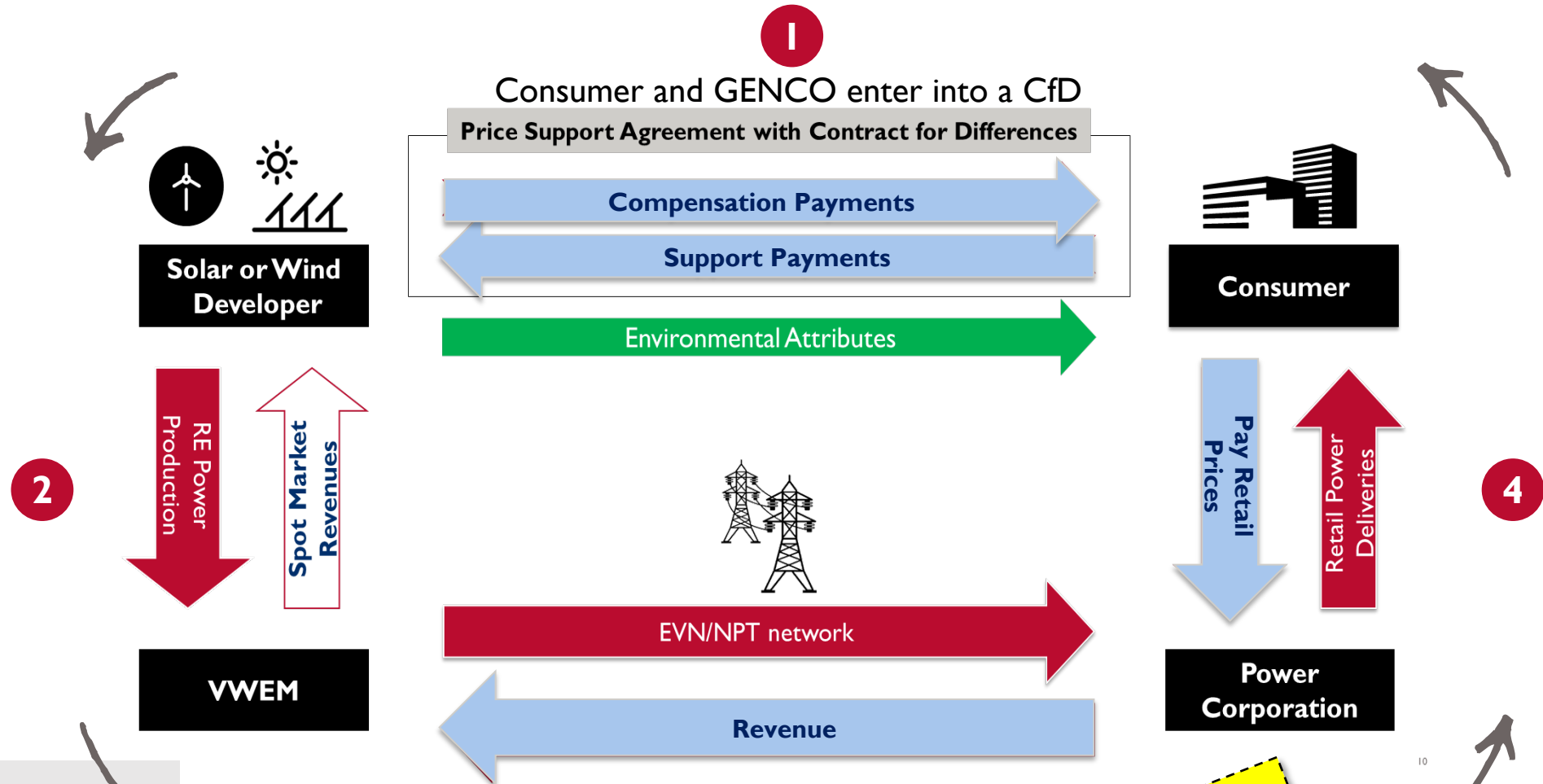
Corporate DPPA Declaration

- + **2017 APEC Summit:** USAID V-LEEP supported the initial DPPA Declaration's release to communicate the undersigned companies' commitment to securing direct access to RE.
- + **June 2019:** V-LEEP Convened a formal DPPA Public Consultation, where Ambassador Daniel J. Kritenbrink provided keynote address. Approximately 120 participants from government agencies, the private sector, international donors, and development partners joined this workshop to learn about DPPAs in Vietnam.



- + **April 2021:** MOIT shared a draft DPPA Pilot Circular. However, the selected DPPA model required significant changes in Electricity Law
- + **May 2022:** MOIT developed and shared an updated draft DPPA PM Decision that is fully compliant with current legal framework
- + **Present:** DPPA framework and associated circulars on wholesale electricity market are being updated, aiming for a final approval shortly

Proposed Draft DPPA Mechanism per 2nd draft Decision 9 May 2022



Definitions:
 CfD = Contract for Differences
 GENCO = Generation Company
 EVN = Vietnam Electricity
 PC = Power Corporation
 VWEM = Vietnam Whole Electricity Market

TO BE UPDATED SHORTLY

Lessons Learned from Vietnam

Commitments



Global firms need country level support to maintain their **strong and growing commitments to sustainability**.

These companies need strategies to apply their commitments to their **supply chains**, especially in Vietnam.

The strength of these commitments are so great they are requesting **national governments (like Vietnam) to provide frameworks** for compliance.



DPPAs



Corporate/Direct Power Purchase Agreements are one solution to enable companies to abide by their sustainability commitments.

Coordination between Consumers and Developers is essential to unify the private sector and engage policymakers to unlock access to clean energy.

Active support for Government requires practical approaches such as knowledge transfer of leading international experience, market surveys, technical assistance, and legal analyses.



Impact



Doing so will **promote leading practices**, new business models, and continued FDI.

Successful programs can persuade government to act as a regional champions, catalyzing shift towards clean energy, crowding in other stakeholders.



Thank you!

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