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


- 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

  - ESCO strategy development (2010)
- 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)