Client Alert

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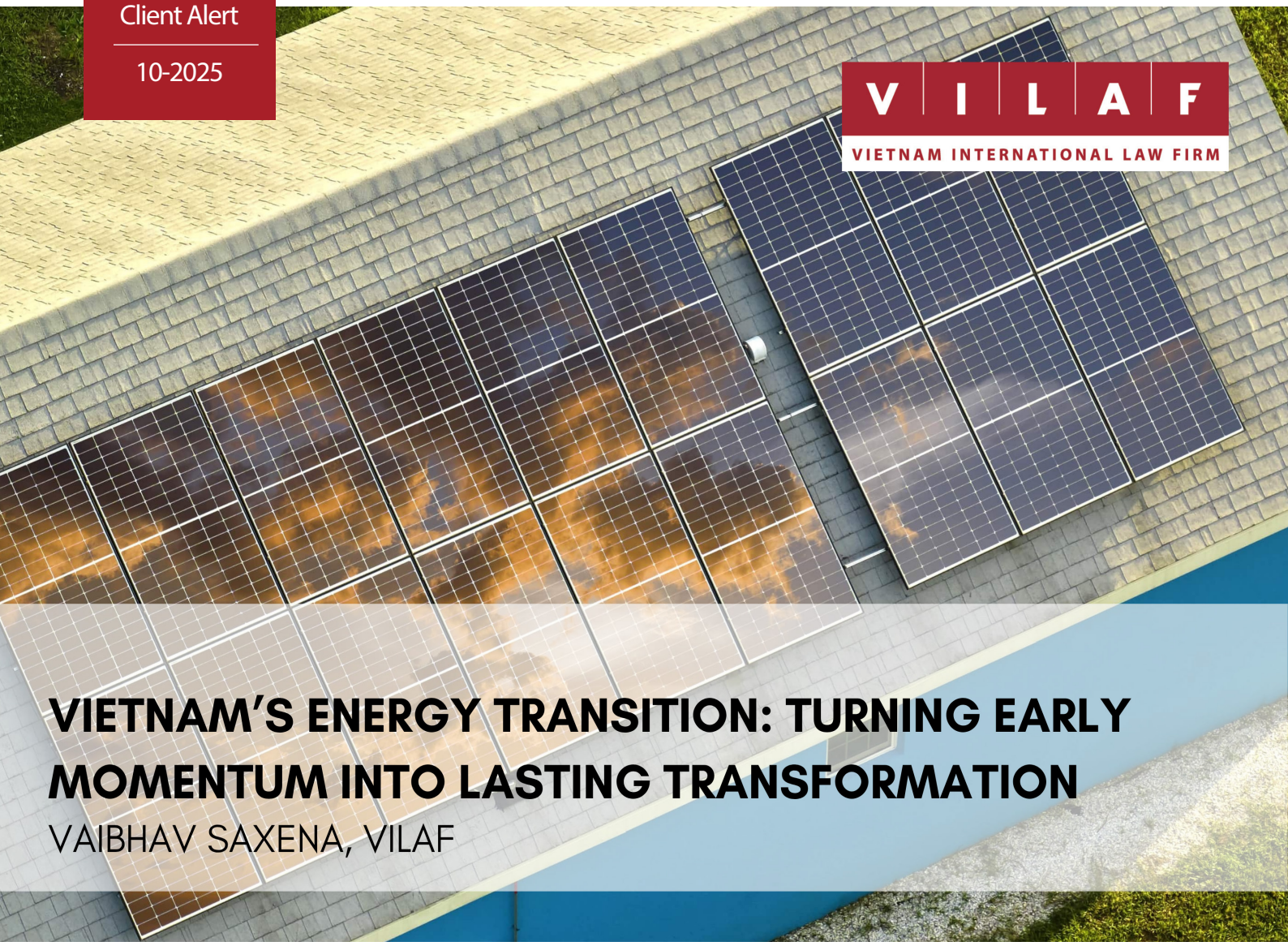

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VIETNAM'S ENERGY TRANSITION: TURNING EARLY MOMENTUM INTO LASTING TRANSFORMATION

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The global energy transition is no longer a distant aspiration—it is the defining industrial and environmental challenge of our time. For Vietnam, the stakes could not be higher. Reliable, affordable, and clean electricity will determine not only the country's ability to meet its climate commitments but also its competitiveness in a carbon-constrained global economy.

Remarkable Progress—But with Structural Strains

Vietnam's record over the past ten years is nothing short of extraordinary. Especially, between 2019 and 2021, the country deployed one of Asia's fastest-growing portfolios of solar power, sending a powerful signal about the competitiveness of renewables and the appetite of investors.
Yet, deployment volume alone does not define efficiency. True efficiency lies in delivering clean power reliably, affordably, and sustainably. Here, Vietnam faces critical bottlenecks. Transmission has not kept pace with generation, leading to congestion and curtailment. System flexibility—storage, ancillary services, and demand response—is still at an early stage. Meanwhile, the financial stress of the single-buyer model and the limited availability of long-tenor local capital raise risk premiums that increase project costs.

Vietnam has demonstrated it can build megawatts at speed. The next chapter must be about delivering dependable megawatt-hours—requiring grid readiness, market reforms, and a stronger financial architecture.

Investors: Appetite for Green Energy, Demand for Bankability

Foreign-invested enterprises and investors are driving much of the demand for clean power. Integrated into global supply chains and bound by decarbonization commitments such as RE100 and SBTi—not to mention compliance with mechanisms like the EU's Carbon Border Adjustment Mechanism (CBAM)—these businesses see access to renewable energy in Vietnam as a strategic imperative.

Their expectations are pragmatic but demanding:

- Bankable procurement pathways through direct and virtual PPAs with standardized contracts and credible credit support.
- Predictability in development with clear interconnection capacity maps and transparent auction schedules.
- Transparent curtailment rules and compensation mechanisms to manage operational risk.
- Credible renewable certificates and carbon accounting frameworks aligned with international disclosure standards.
- Stable financial terms on convertibility, tariff indexation, and payment security.

The appetite is strong, but capital will only flow at scale when frameworks are more transparent, predictable, and bankable.

Opportunities and Challenges: Learning from Global Experience

Vietnam stands at a pivotal moment. Green electricity is not just about climate—it is industrial policy. Nations with affordable clean power will attract higher-value manufacturing and remain competitive globally. Offshore wind, energy storage, and hybrid renewable parks present Vietnam with a chance to build supporting industries from ports to marine services. But challenges are pressing. The transmission grid is the critical path. Financing hurdles—from offtaker risk to foreign exchange exposure—push up costs. Large-scale projects increasingly face complex permitting and social acceptance hurdles.

From global peers, Vietnam can draw valuable lessons:

- Japan and South Korea are proving that clear port planning and local content strategies are essential for offshore wind, though permitting and community engagement remain decisive.
- India's recurring auctions and proactive Green Corridor transmission planning built scale and investor confidence.
- Germany and Denmark demonstrated the importance of community participation and benefit-sharing for offshore wind.
- The UK's Contracts for Difference regime showed how stable offtake frameworks can accelerate offshore deployment.
- Australia and the US underline the need for valuing flexibility services and aligning industrial policy with renewable growth.
- China's experience warns against outpacing grids with generation, while Chile and Brazil show how transparent auctions and strong hydro baselines can keep costs low.

The clear lesson: no single policy tool guarantees success—it requires synchronization across planning, markets, infrastructure, and communities.

Key to a Successful Energy Transition

For Vietnam, success depends on aligning seven critical pillars:

1. Credible planning and accountability—long-term power plans must translate into auction calendars, grid investments, and assigned responsibilities.

2. Grid and flexibility ahead of generation—anticipatory investment in transmission, storage, and demand response is vital.

3. Bankable contracts—balanced risk allocation, transparent indexation, and trusted dispute resolution are essential.

4. Stable regulation and pricing—investors can price risk but not policy uncertainty.

5. Efficient, socially grounded permitting—digitalized, statutory processes with benefit-sharing and biodiversity safeguards.

6. Deepened financial ecosystem—long-tenor domestic capital, green bonds, and blended finance instruments.

7. Execution capacity and transparency—skilled labor, port readiness, and open system data for rational investment.

When the key factors align, the transition becomes not only environmentally sound but also economically competitive and socially inclusive.

From Momentum to Maturity

Vietnam has already proven that it can leap forward in renewable deployment. The challenge now is to sustain that momentum, reform market structures, and strengthen the grid and financial ecosystem. Success will not be measured by the speed of capacity additions alone, but by the

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