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Electricity poverty reduction as an indicator of progress towards the Sustainable Development Goal 7: Vietnam, 2008-2018.

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Abstract

6 We estimate the reduction of electricity poverty in Vietnam from 2008 to 2018 using
national household surveys. We find that in 2018, the fraction of households with access to
electricity was over 98% (up from 96.5% in 2010). The median level of electricity usage was
9 139 kWh per month per household (up from 74 kWh in 2010), enough to access high power
appliances like a washing machine or microwave. The electricity bill weighted less than 6%
of income for 92.1% of households (down from 97.7% in 2010). In statistical terms, the
12 electricity consumption distribution was closer to uniform than the income distribution:
energy inequality is lower than income inequality. In 2014, the fraction of households
declaring unsatisfied electricity needs was below three per cent. Few households cannot
15 afford to turn on fans or air conditioner during a heatwave. The engineering, economic and
socio-political perspectives converge to indicate that electricity poverty was not an acute
social issue in 2018. Vietnam has mostly satisfied the universal electricity access facet of the
18 Sustainable Development Goal 7: Affordable and clean energy for all (SDG7). The electricity
subsidy mechanism contributes more to alleviating poverty (SDG1) than to SDG7.

Keywords :

21 Electricity poverty, Vietnam, Sustainable Development Goals, Indicators

Primary JEL code :

Q41, Q48, Q56

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24 **I. Introduction**

27 *Ensure access to affordable, reliable, sustainable and modern energy* – in short, *Affordable and clean energy* – is the seventh United Nations [Sustainable Development Goal](#), one of our
27 overarching civilization goals set at the beginning of this millennium. This text examines
one facet of Vietnam’s progress towards the Sustainable Development Goal 7 (SDG7):
energy poverty reduction.

30 Vietnam is a Southeast Asia country comprising almost a hundred million people. Its GDP
per capita was 2 715 USD in 2019 (World Bank [database](#), accessed 2021-02-08). Economic
and political reforms launched in 1986 have transformed Vietnam from one of the world’s
33 poorest nations to a lower-middle-income country. Its development since then has been
highly successful in economic terms. In constant local currency, GDP grew by 541% from
1986 to 2019. Table 1 provides more details on the country’s trajectory.

36 While it represents only 1.25% of the world’s total population, Vietnam’s story may inspire
many countries and economists. How did this economic growth translate in terms of
sustainable development regarding energy poverty reduction? What can we learn from this
39 case for the general academic debates around energy poverty?

Vietnam’s rural electrification program is oft-cited as an outstanding success in providing
energy access (Đoàn 2010; Asian Development Bank. 2011). However, in the considerable
42 academic literature on energy poverty, we found few studies about Vietnamese households
among the reports on China, India, Brazil and South Africa (Li, Pan, and Wei 2015;
Sovacool et al. 2011).

45 Lê Việt Phú (2020) investigated the residential electricity demand in Vietnam using a
different microdata source, the 2015 VHRS World Bank survey. He found that demand is
elastic to average and marginal prices and confirmed that income elasticity is positive. We
48 will look at the residential demand from a different perspective –energy poverty– using
different data: the Vietnam Households Living Standard Surveys (VHLSS) from 2008 to
2018.

51 Son and Yoon (2020) examined the determinants of inequality in Vietnamese households
electricity consumption, using VHLSS data from 1993 to 2004. Inequality can be defined, at
the population level, by how much the statistical distribution of consumption deviates
54 from the uniform distribution. They found that a) electricity consumption increased more
than proportionally with income, and b) the inequality of electricity consumption was
larger than income inequality. As the period studied is characterized by continuous grid
57 expansion, increasing electricity access, Son and Yoon warned that increasing access could
increase inequality as the wealthier households benefited more from the opportunity.

Those who cannot afford to buy electric appliances benefit less from rural electrification.
60 Our analysis of more recent data corroborates their first finding: electricity use increased

faster than income between 2008 and 2018. We do not confirm their second finding. In
2018, electricity consumption inequality seemed comparable to or less than income
63 inequality (see Supplementary_Figure 5).

T. T. Nguyễn *et al.* (2019) analyzed Vietnamese households' transition out of energy poverty,
using VHLSS results from 2004 to 2016. They found that "*Electricity poverty has decreased, but*
66 *energy-cost poverty has increased.*" Our analysis vindicates these findings. We clarify and
confirm the discrepancy between electricity poverty and electricity-cost poverty using
more recent data. In addition, we explore a third definition of electricity poverty, related to
69 the subjective question "Are the electricity needs of a household met?"

Section 2 defends the theoretical and practical qualities of this third definition of
electricity poverty. We embed the problem of measuring progress towards the SDG7 within
72 the literature on energy poverty. We argue that subjective indicators can be as relevant as
indicators based on engineering or economic variables. Section 3 presents the VHLSS data
and methods.

Section 4 adopts an engineering perspective, looking at grid access and kWh consumed. We
75 find that in 2018 the fraction of households with access to electricity was over 98%, and the
median level of electricity usage was 139 kWh per month per household. Section 5 adopts
78 an economic perspective, looking at income and expenditures. We find that in 2018, for
92% of households, the electricity bill weights less than 6% of income. Section 6 adopts a
socio-political perspective, looking at satisfaction with electricity consumption. We find
81 that in 2014 the fraction of households declaring that their electricity use did not meet
their needs was below three per cent. Section 7 discusses the interactions between the three
perspectives. We note that the socio-political perspective shows aspects of the SDG7
84 situation in a country that purely objective engineering or economic indicators can miss.

Section 8 discusses the results. We find that in Vietnam, the three points of view converge
to indicate that electricity poverty is not an acute social issue at the moment and that the
87 electricity subsidy in place works more to alleviate economic poverty than to satisfy energy
needs. Regarding the debates on energy poverty, the case confirms that the ratio "electricity
bill over income" is a problematic indicator. It further suggests that there are two kinds of
90 indicators. To follow progress on SDG7 at the macro scale, the proportion of households
declaring that "their electricity consumption met the needs" complements the existing
indicator based on grid access. To target households' energy subsidies, indicators based on
93 income or/and electricity consumption are more operational.

Section 9 summarizes and concludes, looking at the challenges ahead. They include
providing air conditioning access for destitute urban households during heatwaves,
96 limiting the electricity bill's rise in households' budgets, and finding a just burden-sharing
between electricity consumers to finance the system's expansion.

Table 1: Vietnam's economy and electricity conditions in 2008-2018.

Economic and political reforms launched in 1986 have transformed Vietnam from one of the world's poorest nations to a lower-middle-income country. Source [GSO](#), accessed 2021-02-08.

Year	2008	2010	2012	2014	2016	2018
Population (Thous. pers.)	85 119	86 947	88 809	90 729	92 695	94 666
GDP at constant 2010 prices, trillion Dongs	1 889	2 158	2 413	2 696	3 054	3 493
Consumer price index, base 100 in 2007	123	144	186	206	213	228
Share of population in urban areas	29.0 %	30.5 %	31.8 %	33.1 %	33.9%	34.5%
Electricity production, annual	71.0 TWh	91.7 TWh	115.1 TWh	141.2 TWh	175.7 TWh	209.2 TWh
Electricity production, annual per person	834 kWh	1 055 kWh	1 297 kWh	1 557 kWh	1 896 kWh	2 221 kWh

99 **2. What is access to clean and affordable energy for all?**

Universal access to electricity is sought at the early stages of economic development because it is an enabler. Lighting and electric engines increase productivity. Radio
102 communication connects people. An electric fan in advanced cookstoves reduces the indoor air pollution caused by inefficient combustion in traditional biomass. Full electric cooking eliminates it in urban areas. Refrigeration expands farmers' commercial opportunities.

105 To focus the international community's attention on the need to provide these benefits to all humans, the United Nations have adopted « *Ensure access to affordable, reliable, sustainable, and modern energy for all* » as Sustainable Development Goal 7 (SDG7). The Sustainable
108 Development Solutions Network (SDSN 2015, 137–40) defined four performance indicators to assess progress towards this goal :

- Indicator 50: Share of the population with access to modern cooking solutions (%)
- 111 • Indicator 51: Share of the population with access to reliable electricity, by urban and rural (%)
- Indicator 52: Implicit incentives for low-carbon energy in the electricity sector
114 (measured as US\$/MWh or US\$ per ton avoided CO₂)
- Indicator 53: Rate of primary energy intensity improvement

While all four dimensions of SDG7 are important, this manuscript focuses specifically on
117 the aspect measured by indicator 51: sufficiency of households' electricity consumption. The Vietnam Households Living Standards Surveys (VHLSS) provide an estimate for this indicator 51. VHLSS includes a question about the primary source of lighting. We will take
120 it as a proxy for access to reliable electricity, as electric lighting is better than kerosene lamps or any other source. We will return to indicator 51 in the next sections (see Figure 1 and Table 5).

123 “Access to reliable electricity Y/N?” is a black and white question. This lead to an indicator convenient for international comparison. In a national context, the SDG7 has more meanings to unpack. Access says nothing about The academic literature on energy poverty
126 – the *affordable* part of the goal statement – offers ways to discuss SDG7 with more nuances.

Atkinson (1987) explains that poverty can be seen as a concern about basic needs, which are multidimensional: food, housing, and clothing. Under this viewpoint, energy poverty can
129 be seen as deprivation of the energy needs for their survival. Energy-poor households cannot afford to fight cold in winter or heat in summer. How can we measure in a scientific way the magnitude of energy poverty in a given country? Four operational approaches are
132 popular:

The first approach is to estimate “basic needs” directly by calculating the minimum amount of energy services required for a household. Bravo *et al.* (1983), cited in He and Reiner (2016),

135 enumerate energy needs as preparation and preservation of food and supply of water;
space conditioning; personal cleanliness; and recreation and social communication.
Pachauri *et al.* (2004) computed the power requirements for energy services of a five-
138 member household such as “scooter 5km/day”, “Lighting, one electric bulb (5h/day, 40W)”
“Lighting, 1–2 kerosene lamps”.

This basic needs direct estimate approach is appropriate on a case-by-case basis, at the
141 scale of communities but not for international statistics. Different societies have different
views on what kinds of energy services constitute basic needs. Needs vary with climate,
region, household demography and even ethnocultural habits (Pachauri *et al.* 2004).
144 Asking experts about the local conditions is open to subjectivity and lack legitimacy.

The second approach sets up absolute thresholds for the total amount of energy
consumption regardless of the consumption components. Energy-poor households are
147 those consuming less than X kWh per year, where X depends on the country’s economic
conditions. Foster *et al.* (2000) define the threshold as the average energy consumption of
households having expenditure per capita which falls within 10% of the official
150 expenditure poverty line. This method is convenient. A poverty line is readily available in
every country. However, the underlying assumption that income-poor households are also
energy-poor households is not always valid (Khandker, Barnes, and Samad 2012).

153 The third approach sets up relative thresholds. Energy-poor households are those spending
more than X % of their income on energy bills. DTI (2007) states that a household is in
energy poverty if it spends more than 10% of its income on paying the energy bill,
156 including electricity and fuel for heating and cooking, excluding transportation. This
threshold has been set out officially in the UK Fuel Poverty Strategy 2001, according to the
critical study by (Hills 2012). France also used this approach, according to ONPE (2016).

159 This approach is simple and easy to apply. Provided that one accepts the 10% reference
point for what it is –a convenient rule of thumb– this approach allows to assess the
magnitude of the energy affordability issue from national-scale statistics.

162 However, the approach neglects the role of factors such as energy efficiency or price
changes. In addition, the ratio is quite arbitrary. It is easy to link the ratio of electricity bill
over income (budget effort) with the risk of social unrest over high energy prices. There is
165 no universal truth defining what should be considered a high share of electricity in a
household budget.

The fatal flaw with that definition of energy poverty is its high rate of false positives. The
168 idea that a poor household spends a higher fraction of income on energy than a richer
household is only valid on average. Many consumers with a relatively high electricity bill
are affluent households living large. This is why Hill (2012) led the UK to replace the 10 % of
171 income criteria by a new definition under which households are considered fuel poor if a/

They have required fuel costs that are above the median level, and b/ Were they to spend that amount they would be left with a residual income below the official poverty line.

174 France also used this Low-Income High-Cost definition (Chérel 2014).

The fourth approach is demand-based. It estimates demand functions to identify the fixed quantities of goods that households must consume and consider the quantities as
177 subsistence levels. One way to estimate the subsistence level is to use the Stone-Geary model, which considers the subsistence level of a good is the level of consumption that is perfectly inelastic to price. The Stone-Geary model has been frequently used to estimate
180 residential water demand (Martínez-Espiñeira* and Nauges 2004; Dharmaratna and Harris 2012; Hung and Chie 2013). However, the Stone-Geary model is only appropriate for inelastic demand (Gaudin, Griffin, and Sickles 2001). Thus, under the condition that
183 electricity demand is inelastic, the Stone-Geary model can identify a basic needs level.

Another way is to use Barnes *et al.* (2011)'s way to identify the subsistence level without the restriction of inelastic demand. They define the concept of energy poverty as “the
186 threshold point at which energy consumption begins to rise with increases in household income”. The core idea is to find a portion of electricity use inelastic to income rather inelastic to price as in the Stone-Geary model. Several researchers have applied the concept
189 to implement in different databases, such as Khandker *et al.* (2012) for energy poverty in Bangladesh, He and Reiner (2016) for electricity poverty in China, Nguyen (2019) for electricity poverty in Vietnam.

192 The approach is sensitive to model selection but has some advantages in comparison to other methods. First, it is simple since it depends on micro survey data, which are available in every country. Second, it can avoid the problem of arbitrary choices as relative threshold
195 methods. Besides, it is better than the direct approach since it does not impose any requirement of basic-needs baskets. Households choose their own “basic needs” baskets. What we do is observe household behaviours.

198 The four approaches to energy poverty reviewed above are based purely on energy quantities, monetary indicators or their combination. They all come from an engineering or econometric approach. This is also the case for Multidimensional Energy Poverty Indices
201 proposed in (Nussbaumer, Bazilian, and Modi 2012; Foster, Tre, and Wodon 2000; Pachauri et al. 2004) or Multi-tier Matrix for Measuring Access to Household Electricity Supply attributes in (Bathia and Angelou 2015). More generally, engineering and econometric
204 objectivist approaches dominate the literature on sustainability monitoring. Out of 232 Sustainable Development Goal Indicators, only two are subjective (10.3.1 and 16.7.2).

Yet, subjectivity matters. The quality of energy services is defined by the satisfaction of
207 their users, not in terms of electricity or money quantities. Humanities and social sciences have long integrated the need to include the subjects' voice into their research methods,

including socio-political opinion surveys. Surveys provide objectively repeatable
210 measurements: two independent survey companies applying the same method will find
very close results. (Vignon 2014) argues that in Europe, a subjective indicator of “being cold
in winter” is relevant and has been used in France and Ireland.

213 We argue that concerning indicator 51, the definition *Share of households replying positively to*
the question “In the last month, did your consumption of electricity meet the needs of your household?”
is a better definition than the classical definition “*Share of population with access to reliable*
216 *electricity*”. It is better because it is more specific: it prescribes an unambiguous way to
measure the phenomenon. The concepts of “access” and “reliable” used in the classical
definition leave room for interpretation. It is not clear if “access” is only the physical
219 connection to the grid or also the economic means to pay for electricity. Furthermore,
“reliable” is vague. Is there a threshold of outage minutes per year? If extreme weather in
winter can cause a blackout, as in Texas, at which probability shall access be considered
222 reliable? Do we even have probabilities?

Indicators based on grid presence, energy used, or income may seem more precise than
indicators based on subjective self-assessment. There is lots of prejudice in the opposition
225 between engineering and humanities. Engineering-based indicators also suffer from
imprecision and declaration biases when collected by declarative survey. Regarding the
basic needs approach, to determine the adequacy of someone’s habitat objectively, one has
228 to examine its floorplan, building material, insulation, heating, ventilation systems, the
local climate, and the age of the inhabitants. It is much simpler just to ask.

Leaving it up to respondents to assess the “needs of your household” resolves the central
231 problem of defining a “basic needs” level. Households themselves know best if their
electricity needs were met. Multidimensional Energy Poverty Indexes rely on normative
aggregation methods that are hard to justify, whereas households have the legitimacy to
234 integrate the different aspects of their energy consumption experience. Rebound effects in
rural electrification projects show that needs are subjective and relative. Needs expand
with economic development.

237 Contrary to objective and absolute definitions of basic needs, indicators defined by self-
assessed satisfaction of needs can be used at different income levels, within and across
countries. Ensuring access to modern energy – the SDG7 – does not mean bringing the grid
240 close to all houses, as Indicator 51 measures. It means everyone receives a satisfying
provision of energy services.

3. Data and method

243 In light of the previous discussion, we will examine progress towards the SDG7 in Vietnam
using three approaches. From an engineering point of view, we will look at access and
quantity of electricity consumption. From an economic point of view, we will look at the
246 share of electricity in the household budget. From a socio-political point of view, we will
look at the electricity customer satisfaction, in the form of the answer to the question “*In
the last month, did your consumption of electricity meet the needs of your household?*”.

249 The data used to produce all results presented below come from periodic national
population surveys: the Household Living Standards Surveys (General Statistics Office
2019). Conducted under the Ministry of Planning and Investment by the official national
252 statistics office, the surveys aim to systematically collect basic information about
population and housing as a basis for research and for assessing and formulating policy
mechanisms, programs, targets and plans on national socio-economic development
255 generally, and for the population and housing sectors in particular. It is independent of
EVN, the national electricity company.

In 2008 the survey had two waves lasting two months each, starting in May and September.
258 In 2014 there were four waves of one month, in March, June, September and December.
This reduces the seasonality bias of energy consumption. Assignment of households into
waves was random.

261 The question on needs met was asked in 2010, 2012, 2014 only.

We did not weight answers, de-bias or otherwise adjusted the data except by clipping
outlying values and dropping missing responses. Clipping does not affect the counts and
264 quantiles, but non-responses are known to affect survey results. We were not involved in
the data collection.

The results we present below are subject to systematic and random errors unavoidable in
267 all survey data (Kasprzyk 2005). We did not attempt to quantify these errors formally, but
we hereby forewarn that in the numbers presented below, the third digit is not policy-
relevant. It is meaningful mathematically only.

270 We drew the maps in Figure 1 and 4 without tone intensity correction for province size and
province population: they reflect energy poverty levels within a province. Thus, a large grey
area does not imply that a large number of people are impacted since provinces in remote
273 mountains are less densely populated than provinces in the river deltas.

4. The engineering view: is electrification complete?

Much has changed since (A. T. Nguyễn and Lefevre 1996) analysis of household energy
276 demand based on a 1992 survey conducted in four provinces. At that time, 91% of the
energy used by households was for cooking and pig feed. Cooking was mostly with coal and
residues; electricity was used by less than 2% of rural households, 6% of urban households.
279 Households commonly used both kerosene and electricity for lighting. This contrasts with
the more recent survey by (V. T. Lê and Pitts 2019), which showcased air conditioning as the
key driver of energy consumption for households living on Vietnam's South-Central coast.

282 Đoàn Văn Bình (2010) wrote about electricity access in Vietnam as follows :

*Vietnam has gone through a rapid increase in electrification since 1990, where electrification levels
jumped from a pre-policy reform rate of less than 50% in the late 1980s–early 1990s to 77% by 2001
285 and 96% by 2009. The Electrification Programme driven by the Vietnamese government has
resulted in increased access for 82 million people between 1976 and 2009. One million people,
primarily in the northern mountainous regions of Vietnam, are currently without access to
288 electricity.*

To revisit these numbers in 2018, we used answers to the survey question: “What is the
main lighting mean in your household?” with possible choices: 1. National-grid electricity,
291 2. Battery or generator or small-scale-hydroelectricity, 3. Gas, oil lamps of various kinds,
4. Other. Figure 1 shows the percentage of households who did not choose option 1. This is a
proxy for the state of electrification over 2008-2018. It shows that the situation in the
294 northern mountainous regions of Vietnam has improved over the last ten years, without
complete resolution. There are still not many roads in these areas. The cost of these grid
connections is high compared to the number of households serviced.

297 Concerning the overall population, our analysis shows that in 2010, 96.5% of households in
Vietnam used grid electricity for lighting. This number increased to 98.9 % in 2018. Our
estimate for 2018 is close to the 99.1 % published in (General Statistics Office 2019, 500);
300 and coherent with (EVN 2019, 14, 19) statement that “EVN provided 100% of communes,
more than 99% of rural households, and 11/12 districts of islands with electricity access”.
Considering that the population is 94,7 million and that households without access are
303 likely to have more members than the national average, we estimate that the number of
people without electricity access in Vietnam was still about one million in 2018. The
number of people without access has declined slowly over the period, as Doan Van Binh's
306 statement remains relevant. The positive way to see the evolution is that the number of
people with access increased as fast as the population, almost one million per year.

Figure 2 shows the amount of electricity the households declared using in the last month.
309 In 2018, the median amount of electricity usage was 139 kWh per month, and the first
quartile was 81 kWh. In other words, that year, out of four Vietnamese households, one

used less than 81 kWh per month, and another used between 81 kWh and 139 kWh. Over the
312 2010–2018 period, the distribution shifted to the right, towards higher quantities. The
median electricity consumption per Vietnamese household in the surveyed month went
from 74 kWh to 139 kWh in these eight years.

315 Over that period, the use of electricity by Vietnamese households moved towards a more
uniform distribution. As apparent in Supplementary_Figure 5, inequality in electricity use
reduced faster than inequality in income during that period.

318

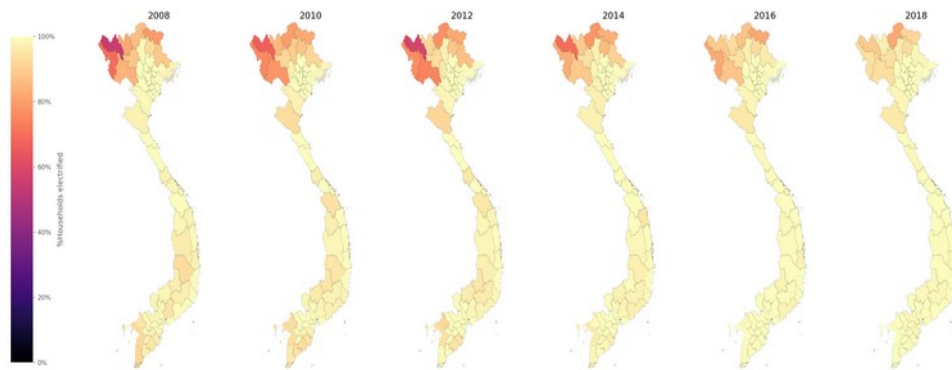


Figure 1: Progress of electrification. The share of households not relying on the national grid for lighting decreased from 2008 to 2018 in most provinces. Rural electrification challenges remain only in the most northern provinces.

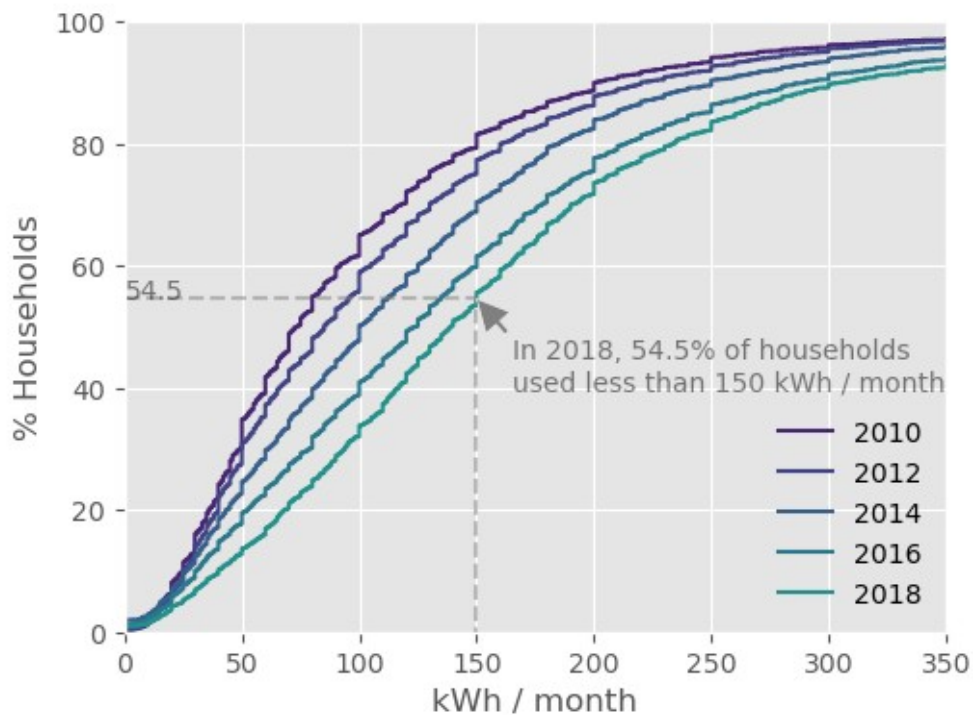


Figure 2: Monthly electricity usage by household in Vietnam, cumulative distributions. The curve moves to the right over time, as households used increasing amounts of electricity.

5. The economic view: is electricity affordable for all?

Figure 3 shows the electricity tariffs in Vietnam from 2004 to 2018. There are many curves
321 because the tariff is an increasing staircase function: the more one consumes electricity, the
higher the marginal tariff. In 2010, for example, consumers paid electricity 600 VND/kWh
for the first 50 kWh, then 1004 VND/kWh from the 51st kWh to the 100th kWh, and so on
324 (see Supplementary_Figure 1).

Increasing block tariffs for electricity, water, or gas are popular in many countries since
they offer policymakers a tool to address equity and efficiency concerns. First, as far as
327 power demand correlates with wealth, an increasing block tariff improves equity. It gives
poor households access to electricity at a relatively low price. The first block can be
provided at a tariff lower than production costs, enacting solidarity between users. Second,
330 an increasing block tariff may improve energy efficiency. It presents higher marginal costs
of electricity to households with higher electricity consumption. That tends to reduce
wasteful uses and moderate the growth of their electricity demand.

The right panel in Figure 3 shows that the government kept electricity tariffs under control
333 during the high-inflation years after the global economic crisis of 2008 (M. P. Nguyễn
2010). This contributed to protect the poorer consumers and mitigated inflation. Tariffs
336 eventually caught up when the inflation cooled down, but in real terms, Vietnamese
households faced cheaper electricity in 2020 than in 2010.

The average electricity tariff in Vietnam is low compared to other countries. In 2014, for
339 example, it was 0.08 US\$/kWh. Amongst 29 major countries in Asia and the Pacific, only
Buthan, Mongolia, and Myanmar had a lower tariff (World Bank 2020, page 68).

Table 2 displays the budget effort indicator, defined as the weight of the electricity bill in
342 the households' budget (also Supplementary_Figure 2 and Supplementary_Figure 3).
Electricity is affordable in Vietnam, meaning that the budget effort remains at a modest
level. In 2018, the median household electricity budget effort was 2.4 % of income. This
345 compares favourably with other countries. For example, according to (International Energy
Consultants 2016), "*In the Philippines [...] the average size (170kWh/month) household spent an
estimated 4.5% of monthly disposable income on electricity in January 2016 (down from >6% in 2012).*
348 *The average spend of 44 markets surveyed was 3.9%, ranging from a low of 1.5% in Taiwan to a high of
8.2% in Portugal*". Supplementary_Figure 4 shows that 95 % of Vietnamese households
devoted less than 7 % of their income to electricity.

351 However, Table 2 shows a trend suggesting that cheap electricity years may not last. The
median budget effort was 1.5% in 2010 as a result of the 2008-2010 electricity price control.
After that, the effort increased by fifty per cent between 2010 and 2018. As households
354 become more affluent over time, it is normal that they consume more and that their bills

increase in nominal and in real terms. Here we saw not only that, but electricity expenses have increased faster than income.

357 When the fraction of budget spends purchasing something increases when households
 income increase, economists talk about a *luxury* or a *superior* good. However, this evidence
 does not imply that electricity is always a luxury/superior good for everybody. First, as
 360 exposed above, the relative price of electricity declined over 2010-2020, which can explain
 a part of the demand increase. Second, the econometric analysis presented in (H.-S.
 Nguyễn 2019, chap. 6) shows that for households in the lower-income quantiles, the
 363 electricity consumption is inelastic to income. Electricity is an essential good for poor
 households.

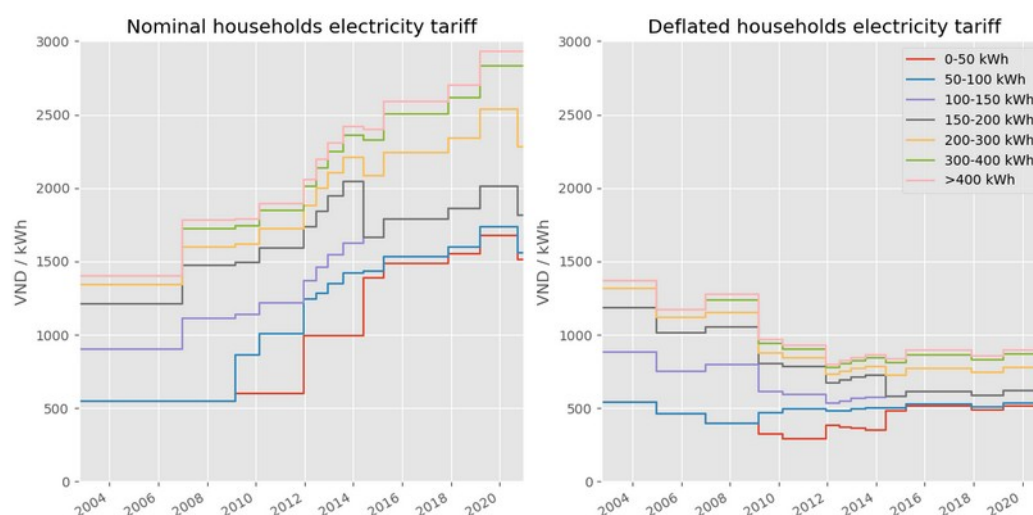


Figure 3: Electricity block tariff for households in Vietnam, in nominal terms (left) and adjusted for inflation (right). The real electricity price for households decreased from 2003 to 2018.

Year	2008	2010	2012	2014	2016	2018
Households not paying anything	3.5%	3.6%	3.2%	2.3%	1.4%	1.1%
Households paying more than 6 % of their income for electricity bill	2.5%	2.3%	3.0%	5.1%	6.2%	7.9%
Half of the households pay less than __% of income	1.6%	1.5%	1.8%	2.1%	2.3%	2.4%
95 % of the households pay less than __% of income	4.7%	4.6%	5.2%	6.0%	6.4%	7.0%

Table 2: Electricity bill as a fraction of income. Source: Authors, from VHLSS data.

366 **6. The socio-political view: are electricity needs met?**

Table 3 summarizes the answers to VHLSS 2010/2012/2014 surveys Q12. *Has your electricity usage [...] been sufficient to meet needs over the last 30 days?* It shows that in 2010, one out of four
369 households in Vietnam declared that their electricity use was not sufficient to meet their needs. That ratio dropped under 5 % two years after that and under 3% in 2014.

Figure 4 maps this rapid progress in satisfaction between 2010 and 2012. The subjective
372 indicator shows that during the 2010-2012 time period, there was significant progress towards meeting the UN Sustainable Development Goal 7. How can we explain it?

A systematic survey error may be present. However, according to the survey
375 documentation, the question's wording was the same in 2010, 2012, 2014.

Expanded energy access is not the only explanation. There is a correlation between access and satisfaction; see Figure 1 and 4. Satisfaction increased much faster compared to the
378 relatively slow progress of the grid.

Energy-using expectations and behaviours are known to adjust. Would it be that households were more able to meet their needs with what was provided? We believe this
381 effect may rather play in the opposite direction, given that the equipment levels increased. Regarding the demand for electricity by households, (General Statistics Office of Vietnam 2015, 26) stated that:

384 *The percentage of households with fixed and/or mobile telephones reached 85%, the rate of households using a computer was 25.1%, the rate of households using a washing machine reached 30.9%, and the rate of households using refrigerators was 59.0%. All of these were at least twice*
387 *times higher than the indicators in the 2009 Census. In addition, the rate of households using air conditioning stood at 13.3%, nearly three times higher than the rate in the 2009 Census.*

We cannot rule out a fluke due to needs variations. Energy demand is known to be sensitive
390 to weather, which is random. Weather in 2010 was warmer than in 2012 and in 2014. The heatwave could have led to exceptionally high cooling needs and shortages due to low flows to hydropower stations. A small fraction of households had air conditioning at that time,
393 but fans also require electricity. However, we offer a simpler explanation.

We conjecture that satisfaction increased between 2010 and 2012 because the electricity supply reliability improved. In 2010 there were many shortages due to delays in adding
396 new coal power plants. After that year, reserve generation capacity increased and that improved reliability. According to IEA ([accessed](#) 2021-02-08), the Vietnamese residential sector consumed 31.5 TWh in 2010, 38.4 TWh in 2012 and 45.7 TWh in 2014. The 50%
399 growth in four years shows there was unsatisfied demand in 2010. Numbers for 2010 are not available, but according to EVN 2016 annual report, the System Average Interruption Duration Index went from 8077 minutes per customer in 2012 to 3134 minutes in 2014.

402 The socio-political indicator provides an integrated measure of the quality of service.
 People's impressions are not so much based on averages of physical and economic flows
 than on extreme events: a power outage during a heatwave or coldwave will be
 405 remembered.

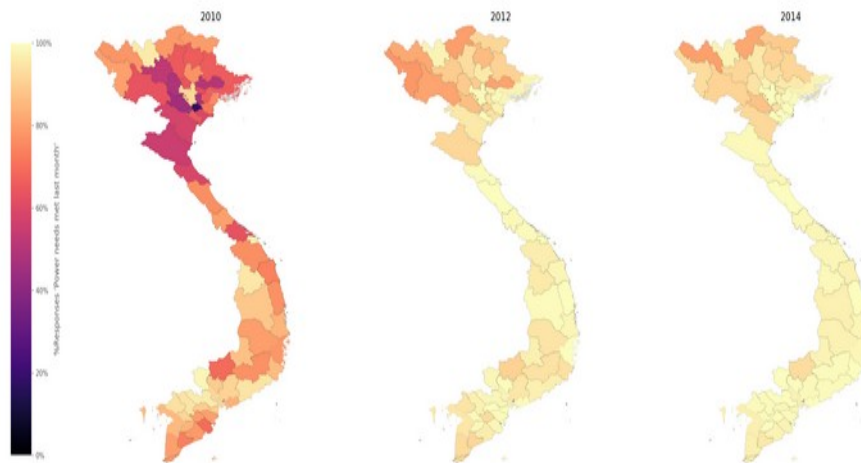


Figure 4: Satisfaction levels progress. The share of households declaring their electricity consumption was not sufficient to meet their needs in the previous month decreased rapidly between 2010 and 2012.

Table 3: Answers to question Q12: 'Has your household's consumption of electricity over the last 30 years been sufficient to meet its needs ?' in VHLSS 2010, 2012 and 2014.

Survey year	2010	2012	2014
	<i>n</i> = 9 251	<i>n</i> = 9 237	<i>n</i> = 9 266
Not sufficient	24.4 %	4.8 %	2.8 %
Sufficient	72.6 %	89.6 %	90.9 %
More than sufficient	3.0 %	5.6 %	6.3 %

408 **7. Interactions between the three viewpoints**

Section 4, the engineering viewpoint, looked at access to electricity and quantities consumed. Section 5, the economic viewpoint, looked at tariffs and the weight of the
411 electricity bill in households' budget. Section 6, the socio-political viewpoint, looked at the satisfaction of electricity needs. Only that viewpoint allowed us to see the qualitative jump between 2010 and 2012.

414 This section examines the interactions between the three viewpoints quantitatively. Figure 5 shows the number of respondents of the VHLSS 2014 meeting three different criteria of energy poverty: using less than 30 kWh per month, spending more than 6% of income on
417 electricity, and declaring their electricity usage did not meet their needs. The first two are objective; the third is subjective. The precise limits for the objective criteria are somewhat arbitrary, but the qualitative result does not depend on it: there is little overlap between the
420 three energy poverty indicators.

Consider first the interaction between the 'energy poverty bar' idea based on the quantity of electricity used and the subjective indicator of needs not met. Table 4 shows that in
423 2014, the electricity consumption of households with unsatisfied needs tends to be lower than in the rest of the population. In 2014, half of the households in Vietnam who declared insufficient electricity used less than 25 kWh per month.

426 What does 25 kWh per month mean in terms of basic needs? It amounts to about 830 Wh per day. This is more than enough to charge many telephones since a phone battery contains about 5 Wh. It is also enough for lightning, as a modern light bulb is about 10 W, a
429 few hours per day. A TV and fans can also fit within this energy budget. However, it does not go far into modern comfort appliances. This amount of energy is not enough to run an air conditioning unit, refrigerator, electric cooking or heating.

432 While households who declared that their electricity usage did not meet their needs tend to use little electricity (in 2014), the converse is not true. Using small quantities of electricity can satisfy needs. In our sample, among the households who used less than 30 kWh of
435 electricity, most did not declare their needs unsatisfied (see Figure 5). This shows that the absolute amount of energy used is not a sufficient indicator to determine satisfaction. It is the perceived comparison of the energy used with the needs of the household, determined
438 by the appliances it owns, that determines sufficiency.

Second, consider the interaction between the 'high electricity cost' ideas based on the share of income devoted to electricity and the subjective indicator. In 2014, about 6% of
441 Vietnamese households had 'high costs' of electricity, defined as over 6% of their income. Survey results show a very small overlap between that population and the households declaring that their needs were not met (see Figure 5). Furthermore, respondents declaring
444 their electricity use did not meet their need tended to spend less on electricity than the

447 general population. The share of income devoted to energy is not a sufficient indicator to
 determine satisfaction. (Vignon 2014) also found a low correlation between objective and
 subjective energy poverty indicators. More specifically, in continental France, only 20% of
 the households spending more than 10% of their income on energy also declare suffering
 from cold.

450 Third, the high electricity cost (budget effort > 6%) subsample also has very little overlap
 with the 'low electricity use' subsample. This survey confirms that the 'high electricity cost'
 definition of energy poverty is problematic, as discussed in section 2.

453

Table 4: Households declaring their electricity use did not meet their need, compared to the general population. Source: VHLSS (GSO, 2014)

	All households (n = 9 359)	Households declaring electricity use did not meet their needs (n = 235)
Median electricity used in the last month	100 kWh	25 kWh
Interquartile range	52 – 168 kWh	0 – 87 kWh
5 – 95 centile range	16 – 325 kWh	0 – 200 kWh
Median effort (ratio electricity bill/budget)	2.1%	0.9%
Interquartile range	1.3% - 3.2%	0% - 2.2%
5 – 95 centile range	0.6% - 6%	0% - 5.7%

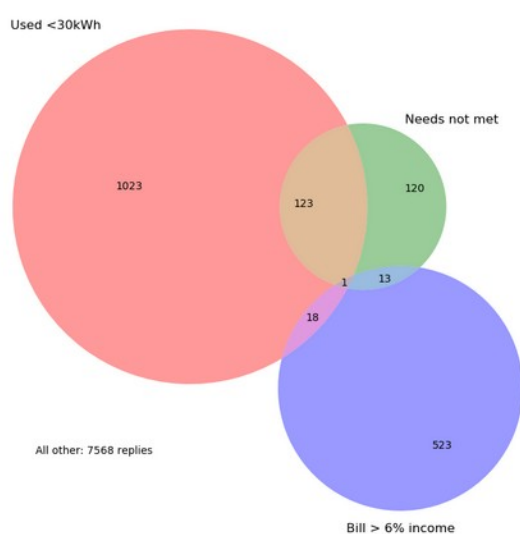


Figure 5: Interactions between the electricity poverty criteria in VHLSS 2014: 'Used < 30 kWh last month', 'Bill > 6% income', and 'Needs not met'.

8. Discussion

456 This section discusses Vietnam's progress towards the SDG7 and the policy implications on
energy poverty.

Based on VHLSS survey data, Table 5 summarizes four indicators related to SDG 7 *access to*
459 *clean, reliable and affordable energy for all*. The first row is a proxy for SDSN Indicator 51
discussed Section 2, access to reliable electricity. The next three rows correspond to the
three viewpoints discussed in sections 4, 5 and 6.

462 The first row shows that Vietnam has mostly achieved SDG7 *access to clean energy for all*.
Vietnam has a lower-middle-income economy. According to World Development
Indicators ([World Bank](#), accessed 2021-02-18, statistics for 2018), 86,3% of the population
465 had access to electricity in that country group. Vietnam scores above its peers. Its access
indicator compares with upper-middle-income countries, where 99.4% of the population
had access (World Bank, *op. cit.*). Historically within ASEAN, Vietnam reached electrification
468 after Brunei Darussalam, Malaysia, Singapore and Thailand, but before the Philippines,
Indonesia and the Lao PDR (Gu, Yan, and Nuki 2020). Cambodia and Myanmar have yet to
reach a 95% electrification rate as of 2019.

471 The Philippines and Indonesia have a higher income than Vietnam, but lots of isolated
islands, which makes electrification more difficult. Lao PDR is a continental country well
endowed in hydro-electric resources, and a level of income per capita comparable to
474 Vietnam's. Yet its electricity use per capita is much lower, maybe because it has a larger
fraction of rural households living in mountain areas. Cambodia and Myanmar are behind
Vietnam in electricity access because they have lower income per capita. The same logic
477 applies when comparing Vietnam with Brunei Darussalam, Malaysia, Singapore and
Thailand.

That second row shows the share of households using less than 30 kWh per month. The
480 percentage of households below an electricity poverty line is an energy poverty indicator.
We choose 30 kWh here because it is the amount subsidized in official Vietnamese policies.
However, the group covers a diversity of situations, the first three levels in Bathia and
483 Angelou's (2015) multi-tier matrix for measuring household electricity consumption. The
'less than 30 kWh' group goes from households without any electricity access to households
using about 1 000 Wh per day, which is enough for lighting, charging phones, running fans
486 and television. By 2018 this under-30 kWh/month group comprised less than 7% of
households, declining by about one percentage point per year during the period.

Considering the electricity consumption per capita, (Gu, Yan, and Nuki 2020) classify
489 ASEAN member states into four groups. The first is Singapore, Thailand and Brunei
Darussalam. Vietnam is in the second group, with Malaysia and Indonesia. The third is Lao
PDR and the Philippines. The fourth is Cambodia and Myanmar.

492 Row three shows the share of households spending less than 6 % of income on electricity.
The conclusion that the burden is increasing fast does not depend on the precise 6% value,
as Supplementary_Figure 2 shows. Do rows two and three confirm that “*Electricity poverty*
495 *decreased but electricity-cost poverty increased*” (T. T. Nguyễn et al. 2019)? Spending more on
electricity is not necessarily a welfare loss. Electricity can substitute other forms of energy,
reducing their cost, particularly for rural and less wealthy households, which were still a
498 majority of the population at the start of the period. Biomass use did decrease at the same
time as electricity use increased. According to the International Energy Agency ([Data and
statistics](#), accessed 2021-02-10), in 2018, the total final energy consumption by the
501 Vietnamese residential sector (households) was 10 059 ktoe, of which 5 352 ktoe (52 %) was
as electricity and 2 213 ktoe (22 %) was as biofuel and waste. In 2008 the total was
15 110 ktoe, of which electricity was 2 241 ktoe (15 %) and biomass 11 086 ktoe (73 %). Most
504 of the costs of using biomass energy are non-market. It would be difficult to quantify the
welfare gains of using the electric rice cooker over the traditional wood stove, but given a
choice, many households choose the first option.

507 Electricity is affordable for most households, but energy poverty remains for many.
According to the General Statistics Office (2019, 435), air conditioner ownership per 100
households increased from 5.5 to 35.1 between 2008 and 2018. For urban areas, it went from
510 17.3 to 70.1. The statistic only increased from 0.1 to 3.3 air conditioner per 100 households
for the lowest income quintile. Not being able to protect against extreme heat fits with the
first definition of energy poverty presented in Section 2.

513 The barrier to air conditioning is not only capital but also operating costs. During the 2020
summer heatwave, many households did not dare to turn on their air conditioners or even
their fans due to the high electricity bills (B. Lê 2020; Thương and Hà 2020). The monthly
516 income per capita in 2018 for the first quintile was 923 000 VND, about 41 USD (GSO 2019,
p.22). For the underprivileged households, each kWh counts. Using 1 kW for 100 hours in a
month costs about 200 000 VND at the third tariff block. To compound the problem, many
519 landlords charge high rates for electricity. If the government gave appliances for free, there
would still be energy poverty in the sense of the fourth criteria discussed in section 2.

The fourth, bottom row is about satisfaction, the share of households stating that their
522 electricity use did not meet needs last month. We regret that the 2016 and 2018 households
surveys did not measure this indicator. As a regulated monopoly provides electricity, it
remains useful that national statistical offices provide the government with independent
525 performance indicators. National electricity policies have many objectives. Goals for the
energy sector as a whole include independence and sustainability. Objectives facing
households include universal access to electricity, affordable tariffs, and a satisfying quality
528 of service. We believe that these three objectives require different indicators. Energy
poverty must be measured and discussed with engineering, economic and socio-political

531 data. The socio-political energy indicator –designed from surveys asking people they had
532 enough electricity to meet their households needs– provides essential customer
533 satisfaction feedback that cannot be obtained by looking only at kWh and money flows.

534 For policymaking, the discussions on SDG7 and energy poverty indicators lead to
535 operational criteria defining which households should be eligible for support. Section 7
536 found that the three different approaches point to different households. We argue that the
537 subjective indicator is the more theoretically satisfying measure of progress towards SDG7.
538 However, when it comes to identifying which households should receive money, subjective
539 declarative criteria are challenging to trust. Furthermore, the ‘high electricity cost’ budget
540 effort indicator has problems. Three approaches remain operational to define households
541 eligible for electricity subsidies: a) low income, b) low electricity use or c) both. The
542 Vietnamese support scheme uses option c). A household with an income poverty certificate
543 could get a subsidy of 30.000 VND/household/month if it consumed less than 50 kWh.

544 The VHLSS 2014 survey explicitly asked questions about electricity subsidies and poverty
545 certificate. Figure 6 shows how the subsidy mechanism performed. Three-quarters of poor
546 respondents declared they received the electricity subsidy. The Figure shows that only 37%
547 of households using less than 30 kWh did receive the subsidy. The reason is that most of
548 those households do not have a poverty certificate. Finally, only 23% of households who
549 declared their electricity needs not met received a subsidy. The subsidy mechanism worked
550 more to alleviate poverty (SDG 1) than to satisfy electricity needs (SDG 7).

Table 5: Evolution of performance indicators towards access to clean and affordable energy for all in Vietnam (less is better).

Source: Authors, VHLSS data.

Year	2008	2010	2012	2014	2016	2018
Share of households not using grid electricity for lightning, rural/urban	4.3 % 0.3 %	4.7 % 0.3 %	4.4 % 0.3 %	3.3 % 0.1 %	2.0 % 0.1 %	1.6 % 0.0 %
Share of households declaring less than 30 kWh of electricity use within the last 30 days	NA	12.9 %	11.9 %	11.2 %	8.8 %	6.2 %
Share of households paying more than 6 % of their income for electricity	2.5 %	2.3 %	3.0 %	5.1 %	6.2 %	7.9 %
Share of households declaring their electricity use within the last 30 days did not meet their needs	NA	24.0 %	4.7 %	2.7 %	NA	NA

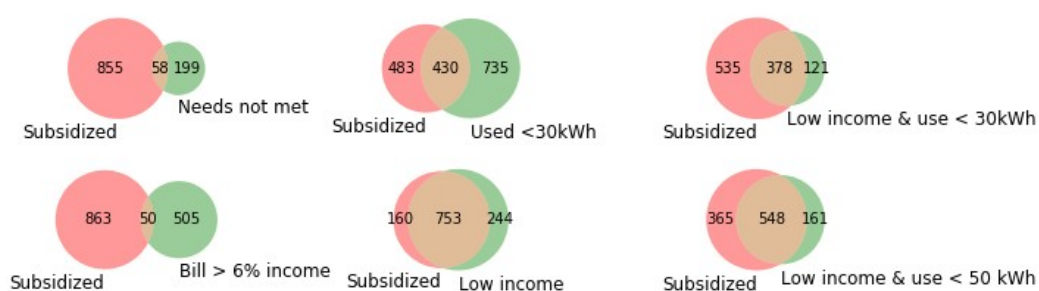


Figure 6: Overlap between households receiving electricity subsidy and subsamples of households matching different electricity poverty criteria in VHLSS 2014.

9. Summary and concluding remarks

552 The three points of view explored in this paper converge to indicate that Vietnam
progressed very close to the SDG7 – *Affordable and clean energy for all* – over the 2008-2018
period, and that electricity poverty is not an acute social issue in 2018:

- 555 • Vietnam achieved close to universal access to electricity. The expansion of the grid
matched the demographic expansion. About one million people remain to be
electrified, mostly in remote areas in the Northern mountains.
- 558 • Electricity is affordable in Vietnam. The electricity tariffs are lower compared to
other ASEAN countries, and households spend a smaller share of their budget on
electricity. Tariffs declined in real terms during the last ten years.
- 561 • The quality of service, defined as the satisfaction of customers, has improved to a
high level. Between 2010 and 2014, the share of households declaring that their
electricity use did not meet their need dropped from 24% to 2.7%.

564 We found that the inequalities in electricity use among Vietnamese households decreased
during the 2008-2018 period. Inequalities in electricity use are not greater than inequalities
in income, contrary to the findings of Son and Yoon (2020) for the 1993-2004 period.

567 Regarding the general academic debates around energy poverty, the case of Vietnam
during 2008-2018 confirms that the ratio of electricity bill over income is not an indicator
precise enough for public policies. We rather suggest that there are two different meanings
570 of energy poverty, measured by different indicators. To follow progress on SDG7 at the
macro scale, the proportion of households declaring that “their electricity consumption did
meet their needs” complements the existing indicator based on grid access. To target
573 households eligible for energy subsidies, indicators based on income or/and electricity
consumption are more operational.

The Vietnam electricity sector cannot rest on its laurels. Economic growth and
576 technological change create systemic challenges ahead.

- 579 • Providing access to the last million citizens requires a disproportionate effort, as
only the most challenging parts of the grid expansion remain to build. In the
sentence “Almost all households in Vietnam had access to affordable and reliable
electricity in 2018” the word “almost” means that one to two per cent of households
remains without access. The pace of expansion must be well above demographic
582 growth to bring electricity to all (World Bank Group and International Energy
Agency 2013).
- 585 • Energy poverty is not only solved by providing access to the grid. For a large
fraction of households, air conditioning is not affordable. Overheating is especially
a problem in urban areas during heatwaves, which are becoming more frequent.

- The cost of electricity weights more and more in the budget of Vietnamese households. Energy efficiency and conservation measures are needed to check the electricity bills increase.

The overarching challenge, in the end, is upscaling. As apparent in Table 1, the population growth rate is about one per cent per year, and the economic growth rate six per cent, the urbanization gains 0.7 percentage point per year. The average household size is also decreasing, as the traditional family model with three generations under one roof is losing ground. These factors imply continued growth in the demand for electricity services. Even if energy efficiency increases, this growth has to be met by increasing energy generation, transmission and distribution capacity. Lagging system capacities increase behind demand threaten the quality of service. There have indeed been concerns about cutoffs in 2020-2021 because the building of new thermal power plants was behind schedule (Hoàng 2019). While generation capacities from renewable sources come online fast, the required new transmission and regulation capacity takes more time to build.

It is also financially challenging to install the new infrastructure fast enough. The level of public debt is getting near Parliament's limits, and the electricity generating companies are also deeply in debt. The domestic production of coal has peaked and is not enough to feed all power plants since 2016. Raising further the price of electricity may be necessary at some point to pay for imported fuels, to finance investments in capital-intensive solar and wind power plants, to reinforce the grid and to make it smarter.

In the past, the government piloted the development of the electric sector, financing mostly through public debt. The current policy is to mobilize private capital. In this market-oriented logic, the total cost of electricity – investment and production – will be passed on to electricity consumers rather than taxpayers. As long as the government regulates the retail tariffs, it retains the possibility to share the costs between the different categories of electricity consumers. It could, for example, charge less the households and more the industrial, commercial and institutional consumers. The increasing block tariff is not the only tool to protect households from electricity poverty.

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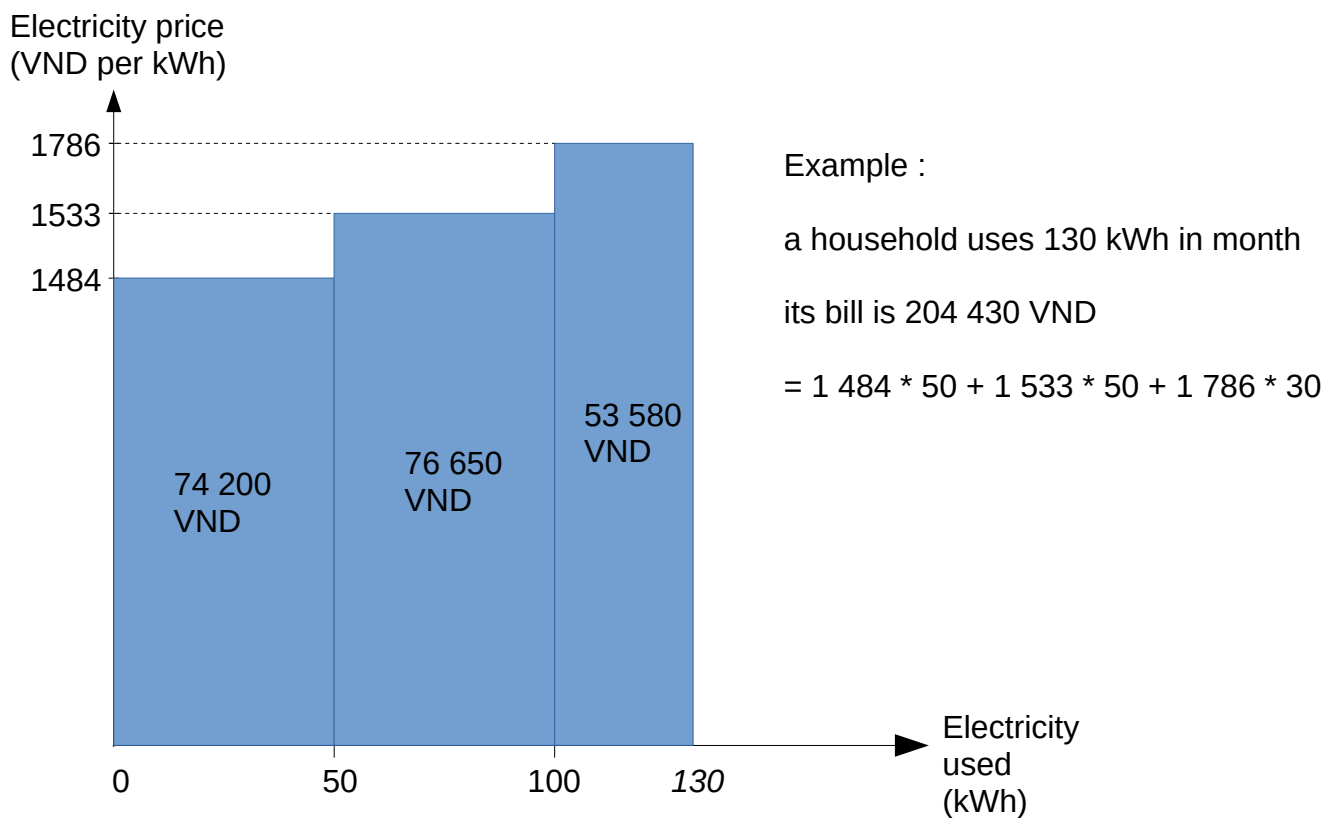
Supplementary material to
Electricity poverty reduction as an indicator of progress towards
the Sustainable Development Goal 7: Vietnam, 2008-2018.

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2021-03-03



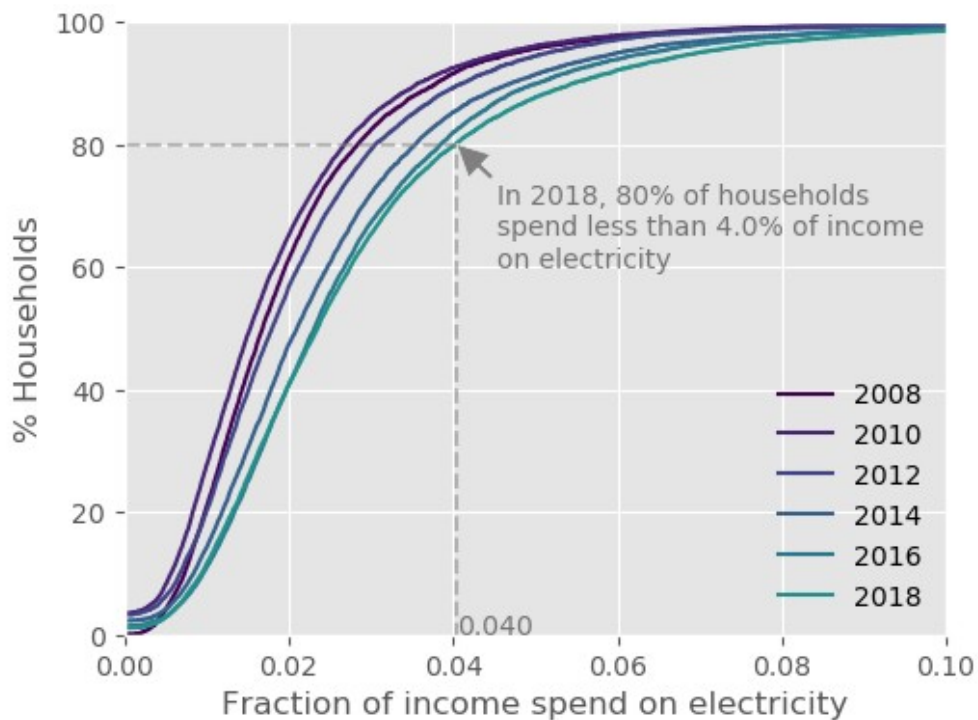
Supplementary_Figure 1: Principle of a block tariff. The history of the tariff used in Vietnam is shown in Figure 3 and Supplementary Table 1.

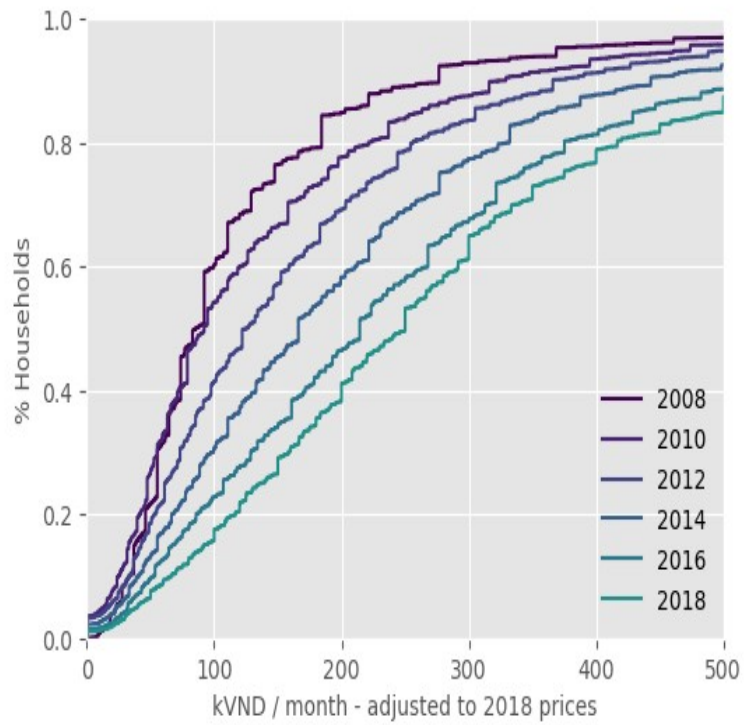
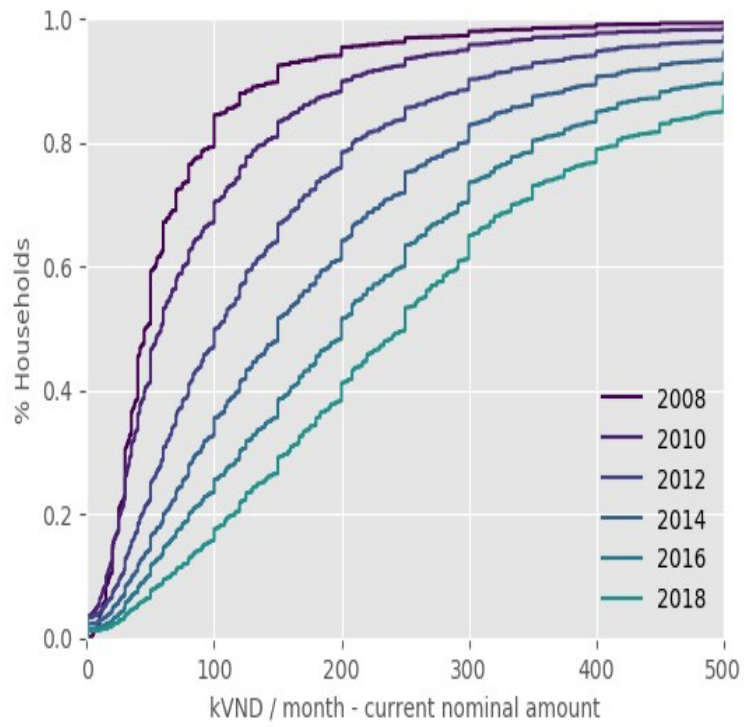
Supplementary Table 1: History of the electricity increasing block tariff in Vietnam.

1994	First established with three blocks – the first block is 150 kWh
1995	The first block is split into 100 kWh for the new first block and 50 kWh for the second block.
1997	New blocks are added at the top, not touching the first two blocks.
2009	The first block is split into two blocks. The first 50 kWh is priced at 35 – 40% of the average electricity supply cost. The second 50 kWh is priced at the average supply cost.
2011	The first two blocks are amended. The first block is 0 – 50 kWh and priced at the average supply cost. This price is only for low-income households, registered with EVN, which consume less than 50 kWh per month. All other households pay the second block price from 0 to 100 kWh. Its price is set to the average approved price of electricity. A household that has an income poverty certificate and uses less than 50 kWh can get a subsidy of 30,000 VND/household/month.
2014	More households can get the subsidized price. The household must meet the criteria that the Prime Minister define and use less than 50 kWh per month. The subsidized amount equals the consumption of 30 kWh at the price of the first block.
2020	The price of the first three blocks is reduced by 10% from September to December to support households during the second wave of the COVID-19 crisis.

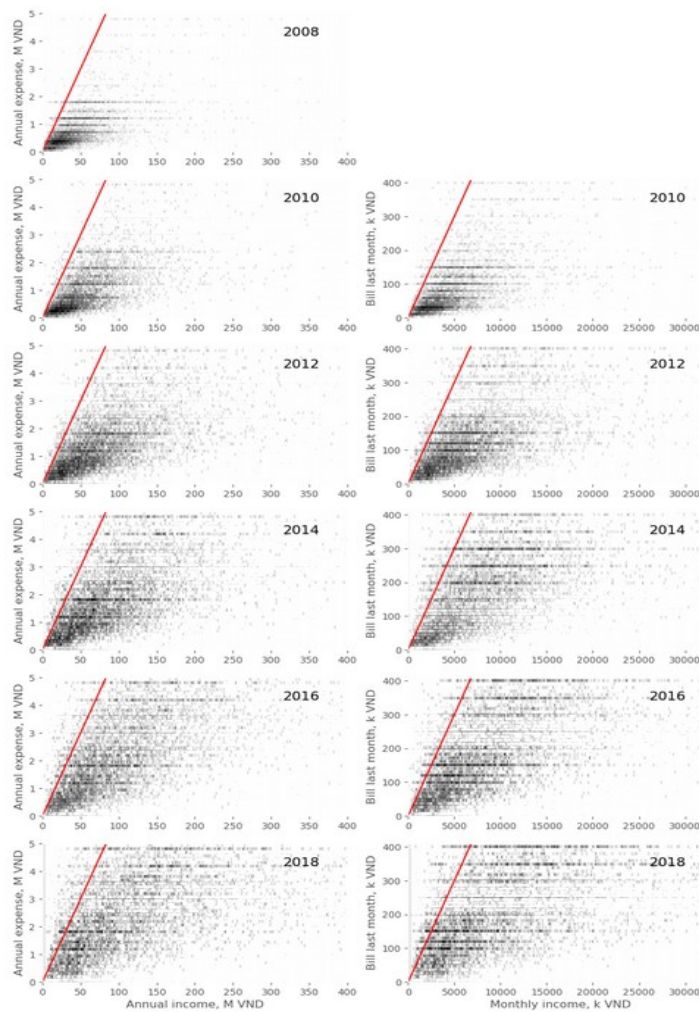
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Supplementary Figure 2: Cumulative distribution function of the fraction of income spend on electricity by Vietnamese households. These curves are summarized in Table 2.

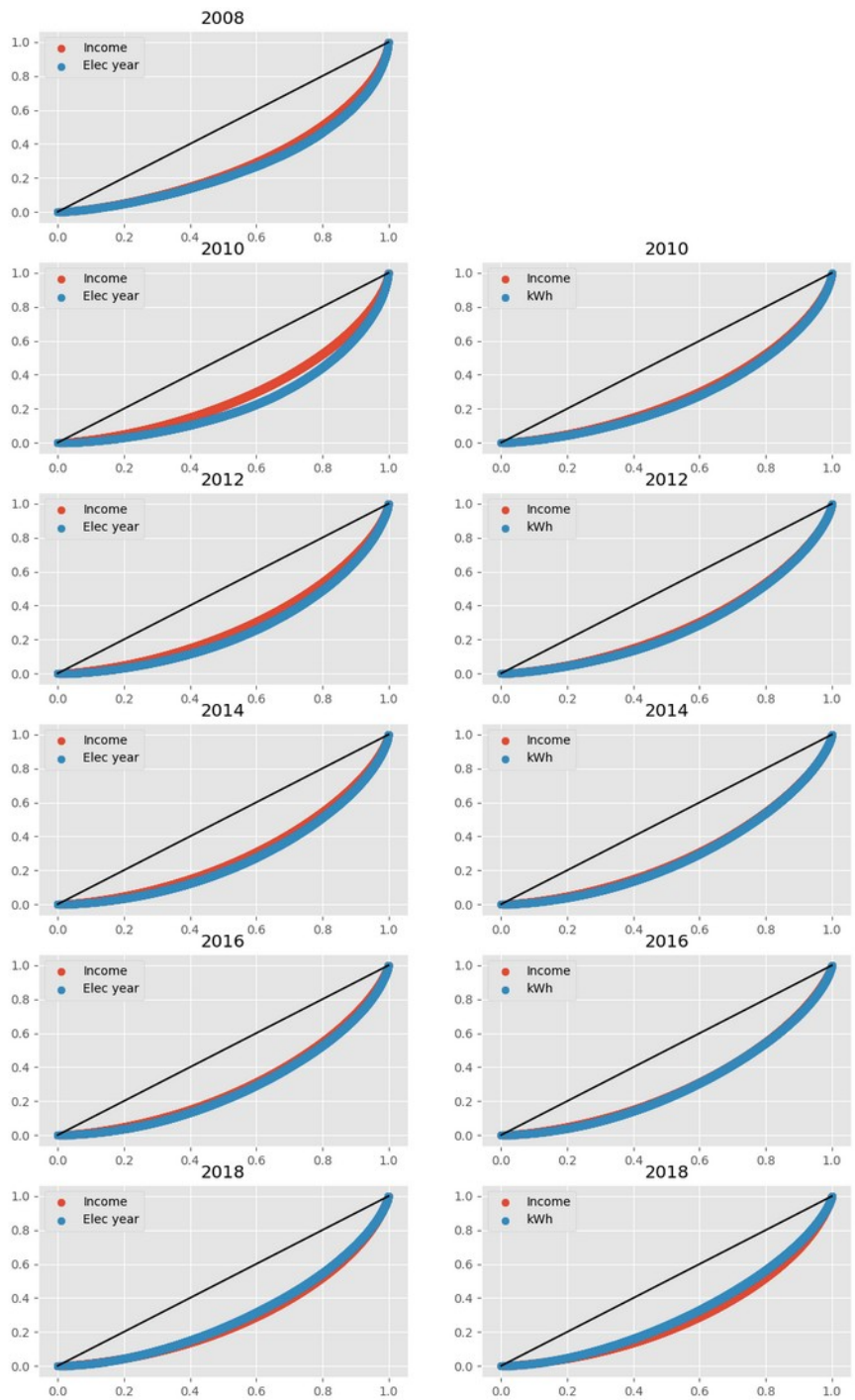




Supplementary_Figure 3: Distribution of electricity expense by Vietnamese households. Expenses almost doubled in real terms between 2008 and 2014. Curves jump at multiples of 50,000 VND because this is declarative survey data, not observed electricity bills.



Supplementary_Figure 4: Electricity budget as a function of the total income. Most Vietnamese households spend less than 6% of their income on electricity – they are below the red line. The fraction of households above the red line is increasing.



Supplementary_Figure 5: Comparison between income and electricity inequality in Vietnamese households. Electricity use is measured by cost on the left, by quantity on the right. The Lorenz curve for income is in red. The Lorenz curve for electricity use is in blue. During the period, the blue curve got closer to the diagonal than the red curve. This means that the inequality in electricity use reduced more than the inequality in income.